

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

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

- expanding availability and correspondingly greater demand for basic health care, 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 8.8% of GDP in the OECD countries in 2018, with an average of US\$3,994 spent per capita.

As in previous years, the United States had the highest per capita spending (US\$10,586). Germany ranked fourth among the OECD countries with US\$5,986.

In Germany, 85% of **health spending** was funded by public sources in 2018, above the average of 74% in the OECD countries.

Most of the OECD countries have enjoyed large gains in **life expectancy** over the past decades, thanks to improved living standards, public health interventions, and progress in medical care. In 2017, average life expectancy in the OECD countries was 80.7 years.

Health care structures are being reviewed and cost-cutting potential identified in order to contain the steadily rising **health care expenditures**. However, such measures cannot compensate for the cost pressure. Market-based elements are increasingly being introduced into the health care system to create incentives for cost- and quality-conscious behavior. Overall treatment costs will be reduced through improved quality standards. In addition, ever-greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

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

THE DIALYSIS MARKET

In 2019, the **global dialysis** market (products and services) was worth approximately €80 billion. In constant currency, the global dialysis market grew by about 4%.

Worldwide, approximately 4.3 million **patients with chronic renal failure** were treated in 2019. Of these patients, around 3.5 million received dialysis treatments and about 815,000 were living with a transplanted kidney. About 89% were treated with hemodialysis and 11% with peritoneal dialysis. Fresenius Medical Care reported strong growth in home hemodialysis and now treats more than 25,000 patients at home in North America.

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

The **number of dialysis patients** worldwide increased by 6% in 2019. In the United States, Japan, and Western and

HEALTH CARE SPENDING AS % OF GDP

in %	2018	2010	2000	1990	1980	1970
USA	16.9	16.4	12.5	11.3	8.2	6.2
France	11.2	11.2	9.5	8.0	6.7	5.2
Germany	11.2	11.0	9.8	8.0	8.1	5.7
Switzerland	12.2	10.7	9.8	7.9	6.6	4.9
Spain	8.9	9.0	6.8	6.1	5.0	3.1
China	5.0	4.4	4.5	-	-	-



Central Europe, patient growth was slower than in economically weaker regions, where growth is mostly above 6%.

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

Dialysis care

In 2019, the global **dialysis care market** (including renal pharmaceuticals) was worth around €66 billion.

About 10% of worldwide dialysis patients were treated by Fresenius Medical Care. With 3,994 dialysis clinics and 345,096 dialysis patients in around 50 countries, Fresenius Medical Care operates by far the largest and most international network of clinics. In the United States, Fresenius Medical Care treated approximately 38% of dialysis patients in 2019. The market for dialysis care in the United States is already highly consolidated.

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

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

Dialysis products

In 2019, the global **dialysis products market** was worth around €14 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 41%, and has a market share of approximately 16% in the worldwide market of products for peritoneal dialysis.

Care Coordination

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

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

A reasonable estimate of the market volume of coordinated care is not possible due to the large number of different services. We currently offer coordinated care services mainly in North America and Asia-Pacific. Our services in Care Coordination are adapted to the requirements of these markets. The spectrum of our coordinated care services may vary across countries and regions, depending on the particular reimbursement system or market specifics.

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

The global market for generic IV drugs, biopharmaceuticals, clinical nutrition, infusion therapy, and medical devices/transfusion technology was worth about €97 billion in 2019.

Thereof, the global **market for generic IV drugs** was worth about €38 billion². Fresenius Kabi was able to enter additional market segments of the global addressable market due to targeted investments and the expansion of our product portfolio, in the areas of complex formulations, liposomal solutions, and pre-filled syringes, among other items.

The market for IV drugs grew by 2% worldwide and by 3% in the important European market. The market growth is mainly achieved through products that are brought to market when the original drug goes off patent, as well as through

¹ Market data based on company research and refers to Fresenius Kabi's relevant markets. This is subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among other things.

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

original off-patent products that are offered at steady prices due to a unique selling proposition. Additionally, market growth is based on price increases for single molecules by individual competitors. In the United States, the most important generic IV drug market for Fresenius Kabi, the company is one of the leading suppliers. Competitors include Pfizer, Sanofi, Sandoz, Teva Pharmaceutical Industries, and Hikma.

The **biopharmaceutical market segment** is one of the fast-growing segments in the health care business. The relevant market for the targeted original biopharmaceuticals, all in the therapeutic areas of oncology and autoimmune diseases, is worth about €37 billion and grew by 13%.

In 2019, the global **market for clinical nutrition** was worth about €9 billion. In Europe, the market grew by about 4%. In Latin America, the clinical nutrition market saw growth of up to 10%. In Asia-Pacific, the market for enteral nutrition grew by about 10%. In the area of parenteral nutrition, Fresenius Kabi's important market for three-chamber bags grew by 10% in Asia-Pacific. In Africa, these two segments also showed positive growth. There is growth potential in clinical nutrition worldwide, because nutrition therapies are often not yet sufficiently used in patient care, although studies have proven their medical and economic benefits. In cases of health- or age-induced nutritional deficiencies, for example, the administration of clinical nutrition can reduce

hospital costs through shorter stays and less nursing care. In the market for clinical nutrition, Fresenius Kabi is one of the leading companies worldwide. In parenteral nutrition, the company is the leading supplier worldwide. In the market for enteral nutrition, Fresenius Kabi is one of the leading suppliers in Europe, Latin America, and China. In parenteral nutrition, competitors include Baxter, B. Braun, JW Pharma, and Kelun Pharma. In the market for enteral nutrition, Fresenius Kabi competes with, among other companies, Abbott, Nestlé, and Danone.

In 2019, Fresenius Kabi considers its global **market for infusion therapy** to have been worth about €6 billion. In Europe, the market for infusion therapies grew by around 1%, with growth in Latin America, Africa, and Asia-Pacific of up to 5% in individual regions. After the strong growth in 2018 due to the recovery of the previous supply shortages, the U.S. market showed a slight decline in 2019. Infusion therapies (e.g., electrolytes) are part of the medical standard in hospitals worldwide. Market growth is mainly driven by increasing product demand in emerging markets. Fresenius Kabi is the market leader in infusion therapy in Europe and Latin America. Competitors include B. Braun and Baxter.

In 2019, the global **market for medical devices** was worth about €4 billion and grew by 4%. In the medical devices market, the main growth drivers are IT-based solutions that focus on application safety and therapy efficiency. In the medical devices segment, Fresenius Kabi ranks among the

leading suppliers worldwide. International competitors include Baxter, B. Braun, and Becton, Dickinson and Company, as well as ICU Medical.

In 2019, the global **market for transfusion technology** was worth about €3 billion and grew by about 4%. In the transfusion technology market, the areas of plasma collection, therapeutic apheresis, and cell therapy are experiencing positive growth. The decline in the demand for blood bags triggered by new treatment methods in Europe and the United States in recent years is coming to an end. In transfusion technology, Fresenius Kabi is one of the world's leading companies. Competitors include Haemonetics, Macopharma, and Terumo.

THE HOSPITAL MARKET ¹

In 2017, the market of acute care hospitals in **Germany** was about €102 billion², as defined by total costs of the German acute care hospitals (gross). Personnel expenses accounted for about 62% of hospital costs, and material costs for 38%. Personnel and material expenses rose by 5% and 3%, respectively.

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

The economic situation of the German hospitals worsened compared with the previous year. In 2018, about 40% of the hospitals recorded losses. A further 9% broke even,

¹ Most recent market data available: German Federal Statistical Office, 2017 data; German Hospital Institute (DKI), Krankenhaus Barometer 2019

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

and 51% were able to generate a profit for the year. In 2017, about 30% recorded losses and about 60% were profitable.

The often difficult economic and financial situation of the hospitals is accompanied by significant **investment needs** driven by medical and technological advances, higher quality requirements, and necessary modernizations. Moreover, the federal states failed to meet their statutory obligation to provide sufficient financial resources in the past. This results into a continuously increasing investment backlog. The German Hospital Institute (DKI)¹ estimates that the annual investment requirement at German hospitals is at least €6.8 billion. This is about two and a half times the funding for investment currently being provided by the federal states.

Helios Germany is the country's leading hospital operator in terms of sales, with a share of about 5.4%² in the acute care market. The hospitals of Helios Germany compete mainly with individual hospitals or local and regional hospital associ-

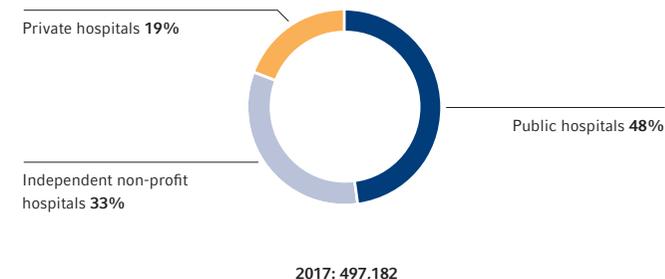
ations. Among private hospital chains, our main competitors are Asklepios, Rhön-Klinikum, and Sana Kliniken.

The so-called change in value figure is relevant for the increase in the **reimbursement** of hospital treatments. It is used to compensate for rising costs in the hospital market, particularly with regard to personnel and material costs. The change in value figure is redetermined each year for the following year. For 2019 it was 2.65% (2018: 2.97%).

On January 1, 2019, the Act to Strengthen Nursing Staff (PpSG) entered into force. In contrast to 2018, in 2019, each additional or increased nurse position at the bed was completely refinanced by the health insurers. In addition, since 2019, a regulation setting a minimum level for nursing staff has applied to hospitals in Germany for the following areas: geriatrics, intensive care, cardiology, and trauma surgery.

The **private Spanish hospital market** volume was about €15 billion³ in 2018. In particular, the increasing number of

HOSPITAL BEDS BY OPERATOR



Source: German Federal Statistical Office, 2017 data

privately insured patients is opening up growth opportunities for private operators. Private supplemental insurance in Spain is relatively inexpensive. It is required in order to make use of services in private hospitals. Among other factors, the comparatively short waiting times for scheduled treatments make private hospitals attractive.

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

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

KEY FIGURES FOR INPATIENT CARE IN GERMANY

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

¹ Total costs, gross

Source: German Federal Statistical Office, 2017 data

¹ German Hospital Institute (DKI), Krankenhaus Barometer 2019

² Measured by 2018 sales in relation to gross total costs of acute care hospitals minus scientific research and teaching in Germany (latest available data: Federal Statistical Office, 2017 data)

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



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

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

Fresenius Vamed has become a leading provider in this field in Central Europe. In **emerging markets**, the focus is on building and developing infrastructure and improving the level of health care.

Fresenius Vamed has no **competitors** that cover its comprehensive portfolio of services across the entire life cycle. As a result, Fresenius Vamed has a unique selling proposition of its own. Depending on the service, the company competes with international companies and consortia, as well as with local providers.

OVERALL BUSINESS DEVELOPMENT

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

Overall, the development of the world economy had an only negligible impact on our industry in 2019. On the whole, the health care sector, both in mature and growth markets, developed positively, with continued increasing demand for health services. This had a positive effect on our business development.

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

In 2019, Fresenius made significant investments in all business segments to lay the foundation for future growth. We achieved our Group sales and earnings targets for fiscal year 2019. Hence, the Management Board is of the opinion that the Fresenius Group's performance in 2019 was successful overall.

Fresenius Medical Care's sales (adjusted¹) in constant currency increased by 5% to €17,329 million (2018: €16,026 million). On an adjusted basis², net income attributable to shareholders of Fresenius Medical Care increased by 2% (-2% in constant currency) to €1,369 million (2018: €1,341 million).

Fresenius Kabi achieved organic sales growth of 4%. EBIT³ increased by 5% (increased by 3% in constant currency) to €1,200 million (2018: €1,139 million).

Organic sales growth of Fresenius Helios was 5%. EBIT⁴ decreased by 4% to €1,015 million (decreased by 3%⁵ in constant currency; 2018: €1,052 million). Fresenius Vamed achieved organic sales growth of 16%. EBIT⁴ grew by 19% (6%⁵) to €131 million (2018: €110 million).

¹ On an adjusted basis: 2018 adjusted for divestitures of Care Coordination activities; 2019 adjusted for IFRS 16 effect, excluding effects from NxStage transaction

² 2018 before special items (gain related to divestitures of Care Coordination activities, FCPA-related charge), after adjustments; 2019 before special items (transaction-related expenses, gain related to divestitures of Care Coordination activities, expenses associated with the cost optimization program), adjusted for IFRS 16 effect, excluding effects from NxStage transaction

³ On a comparable basis: before special items and adjusted for IFRS 16 effect

⁴ Adjusted for IFRS 16 effect

⁵ Adjusted for the post-acute care business transferred from Fresenius Helios to Fresenius Vamed as of July 1, 2018



COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

For 2019, we had assumed that strong demand for our products and services would continue. This proved to be the case.

The table on the right shows the guidance development for 2019 for the Group as well as for the business segments.

Due to the healthy business development in 2019, we increased our **Group sales¹ guidance** during the course of the year. Moreover, we have achieved our **Group net income^{2,3} guidance**.

Fresenius invested €2,463 million in **property, plant and equipment** (2018: €2,163 million). At 7.0%, the investments in property, plant and equipment are above the prior-year level of 6.5% as percentage of sales.

Operating cash flow⁴ was €3,514 million (2018: €3,742 million). The cash flow margin was 9.9%⁴ (including IFRS 16 12.0%; 2018: 11.2%) and therefore in line with our expectations. We had expected to achieve a cash flow margin between 10% and 12%.

Group net debt/EBITDA was 3.14^{4,5,6} (December 31, 2018: 2.71⁵) and excluding the acquisition of NxStage 2.89^{4,5}, therefore slightly above our expected target.

Group ROIC was 7.4%^{4,7} (2018: 8.3%⁷), and Group ROOA was 8.2%^{4,7} (2018: 9.0%⁷). The change is mainly driven by higher average operating assets and the NxStage acquisition.

ACHIEVED GROUP TARGETS 2019

	Guidance 2019, published February 2019 ¹	Guidance adjustment/ update, published May 2019	Guidance adjustment/ update, published July 2019	Achieved in 2019
Group				
Sales (growth, in constant currency)	3% – 6% ^{2,3}	3% – 6% ^{2,6}	4% – 7% ^{2,6}	6% ^{2,6}
Net income ⁴ (growth, in constant currency)	~0% ^{3,5}	~0% ^{5,6}		0% ^{5,6}
Fresenius Medical Care				
Sales on a comparable basis (growth, in constant currency)	3% – 7% ^{2,3}			5% ^{2,3}
Net income on a comparable basis ^{3,7,10} (growth, in constant currency)	-2% – +2%			-2%
Fresenius Kabi				
Sales (growth, organic)	3% – 6%			4%
EBIT ^{8,9} (growth, in constant currency)	3% – 6%			3%
Fresenius Helios				
Sales (growth, organic)	2% – 5%			5%
EBIT ⁹ (growth)	-5% – -2%			-4%
Fresenius Vamed				
Sales (growth, organic)	~10%			16%
EBIT ⁹ (growth)	15% – 20%			19%

¹ Expectation for Group sales 2019 and Group net income 2019 already communicated in December 2018

² 2019 adjusted for IFRS 16 effect; 2018 adjusted for divestitures of Care Coordination activities at Fresenius Medical Care (FMC)

³ Excluding effects from NxStage transaction

⁴ Net income attributable to shareholders of Fresenius SE & Co. KGaA

⁵ Before special items (transaction-related expenses, gain related to divestitures of Care Coordination activities, expenses associated with the cost optimization program at FMC, revaluation of biosimilars contingent purchase price liabilities), adjusted for IFRS 16 effect; base 2018 before special items and after adjustments

⁶ Including effects from NxStage transaction

⁷ Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

⁸ Before special items

⁹ Adjusted for IFRS 16 effect

¹⁰ Before special items (transaction-related expenses, gain related to divestitures of Care Coordination activities, expenses associated with the cost optimization program at FMC), adjusted for IFRS 16 effect; base 2018 before special items and after adjustments

¹ On a comparable basis: 2018 adjusted for divestitures of Care Coordination activities at FMC; 2019 adjusted for IFRS 16 effect, including effects from NxStage transaction

² Net income attributable to the shareholders of Fresenius SE & Co. KGaA

³ On a comparable basis: 2018 before special items, adjusted for divestitures of Care Coordination activities at FMC; 2019 before special items and adjusted for IFRS 16 effect

⁴ Adjusted for IFRS 16 effect

⁵ Both net debt and EBITDA calculated at LTM average exchange rates; before special items, pro forma closed acquisitions/divestitures

⁶ Including the acquisition of NxStage

⁷ Pro forma closed acquisitions; before special items

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

RESULTS OF OPERATIONS

Sales

Group sales¹ on a comparable basis increased by 8% (6% in constant currency) to €35,524 million (2018: €33,009 million). Group sales were €35,409 million including an IFRS 16 effect of -€115 million (2018: €33,530 million). The chart on the right shows the various influences on Fresenius' Group sales.

In 2019, Fresenius Medical Care faced negative effects from adjustments on accounts receivable in legal dispute. The weaker development of Fresenius Kabi in North America was partially offset by strong sales growth in the Emerging Markets. Fresenius Helios' sales were positively impacted by DRG price increases. Fresenius Vamed benefited from excellent business momentum and the integration of the post-acute business. In addition to that, there were no major effects due to changes in **product mix** or changes in **prices** in 2019 for the Group.

Positive currency translation effects of 2% were mainly driven by the appreciation of the U.S. dollar against the euro.

Sales growth by region is shown in the table on the right.

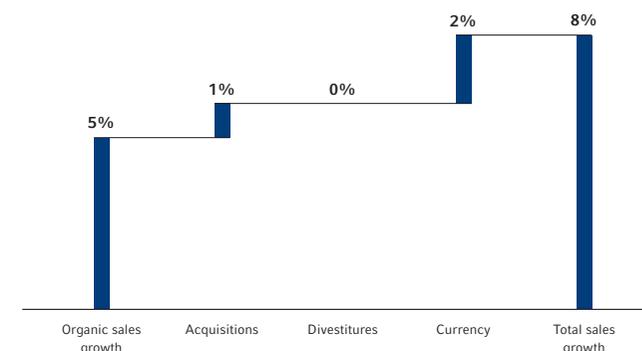
Sales growth in the business segments was as follows:

- ▶ Sales of Fresenius Medical Care on a comparable basis¹ increased by 10% (6% in constant currency) to €17,592 million (2018: €16,026 million). Organic sales growth was 5%. Currency translation effects increased sales by 4%. Sales were €17,477 million including an IFRS 16 effect of -€115 million (2018: €16,547 million). Sales growth was influenced by negative effects from adjustments on accounts receivable in legal dispute.
- ▶ Fresenius Kabi increased sales by 6% to €6,919 million (2018: €6,544 million). Declining sales volumes due to intensified competition on selected molecules, missing tailwinds from drug shortages, and a declined number of prescriptions for opioid drugs in hospital-based pain management weighed on the sales development. In the emerging markets and developing countries, Fresenius Kabi achieved significant sales growth, especially with clinical nutrition products. Organic sales growth was 4%.

SALES BY REGION

€ in millions	2019 ¹	2018 ¹	Change	Organic sales growth	Currency translation effects	Acquisitions/divestitures	% of total sales ²
North America	14,658	13,340	10%	3%	6%	1%	41%
Europe	15,178	14,484	5%	4%	0%	1%	43%
Asia-Pacific	3,732	3,366	11%	8%	2%	1%	11%
Latin America	1,545	1,387	11%	19%	-12%	4%	4%
Africa	411	432	-5%	-4%	-1%	0%	1%
Total	35,524	33,009	8%	5%	2%	1%	100%

SALES GROWTH ANALYSIS



Excluding IFRS 16; on a comparable basis

Positive currency translation effects (2%) were mainly related to the appreciation of the U.S. dollar against the euro.

¹ On a comparable basis: 2018 adjusted for divestitures of Care Coordination activities at FMC; 2019 adjusted for IFRS 16 effect, including NxStage

² In relation to the contribution to Group sales

- Fresenius Helios increased sales by 3% (5%¹) to €9,234 million (2018: €8,993 million). Organic sales growth was 5%. Sales of Helios Germany decreased by 1% (increased by 3%¹) to €5,940 million (2018: €5,970 million). Organic sales growth of 3% was positively influenced by pricing effects. The reclassification of nursing staff funding from other income to sales also contributed to growth. Helios Spain increased sales by 9% (organic growth: 7%) to €3,292 million (2018: €3,023 million), mainly due to the excellent operating performance based on increased admissions.
- Fresenius Vamed increased sales by 31% (19%¹) to €2,206 million (2018: €1,688 million). Sales in the project business increased by 13% to €807 million (2018: €712 million). Sales in the service business grew by 43% to €1,399 million (2018: €976 million). The increase in sales is due to strong momentum in both the project and service businesses as well as increased sales from services for Fresenius Helios. In addition, the revenue development was positively influenced by the completed integration of the post-acute care business. **Order intake** in the project business again developed well; it increased to €1,314 million (2018: €1,227 million). Fresenius Vamed increased its **order backlog** by 18% to €2,865 million (December 31, 2018: €2,420 million). Fresenius Vamed is the only business segment within the Fresenius Group whose business is also significantly influenced by order intake and order backlog.

SALES BY BUSINESS SEGMENT

€ in millions	2019 ³	2018 ³	Change	Organic sales growth	Currency translation effects	Acquisitions/Divestitures	% of total sales ⁴
Fresenius Medical Care	17,592	16,026	10%	5%	4%	1%	50%
Fresenius Kabi	6,919	6,544	6%	4%	2%	0%	19%
Fresenius Helios	9,234	8,993	3%	5%	0%	-2%	26%
Fresenius Vamed	2,206	1,688	31%	16%	1%	14%	5%
Total	35,524	33,009	8%	5%	2%	1%	100%

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED

€ in millions	2019	2018	2017	2016	2015
Order intake	1,314	1,227	1,096	1,017	904
Order backlog (December 31)	2,865	2,420	2,147	1,961	1,650

Earnings structure

In 2019, **Group net income² before special items** was €1,879 million including an IFRS 16 effect of -€36 million (2018: €1,871 million). In 2019, **earnings per share² before special items** were €3.37 including an IFRS 16 effect of -€0.07 (2018: €3.37). The weighted average number of shares was 556.8 million.

Group net income^{2,3} on a comparable basis increased by 2% (0% in constant currency) to €1,915 million (2018: €1,872 million). **Earnings per share^{2,3} on a comparable basis** increased by 2% (0% in constant currency) to €3.44 (2018: €3.37).

Reported Group net income² was €1,883 million including an IFRS 16 effect of -€36 million (2018: €2,027 million). **Reported earnings per share²** were €3.38 (2018: €3.65). Inflation effects did not have a significant impact on our results of operations.

Group EBITDA before special items was €7,104 million including an IFRS 16 effect of €934 million (2018: €6,055 million). **Group EBITDA³ on a comparable basis** increased by 2% (0% in constant currency) to €6,170 million (2018: €6,032 million). **Group EBITDA reported** was 7,083 (2018: €6,745 million)

Group EBIT before special items was €4,688 million including an IFRS 16 effect of €89 million (2018: €4,561). **Group EBIT³ on a comparable basis** increased by 1% (-2% in constant currency) to €4,599 million (2018: €4,547 million). **Group EBIT reported** was €4,631 million (2018: €5,251 million).

¹ Adjusted for the post-acute care business transferred from Fresenius Helios to Fresenius Vamed as of July 1, 2018

² Net income attributable to shareholders of Fresenius SE & Co. KGaA

³ On a comparable basis: 2018 before special items and adjusted for divestitures of Care Coordination activities at FMC; 2019 before special items and adjusted for IFRS 16 effect

⁴ In relation to the contribution to Group sales

EBIT development by business segment was as follows:

The presentation of the business segments' earnings development is provided before special items. The special items are reported in the Group Corporate/Other segment.

- Fresenius Medical Care's EBIT¹ was €2,356 million, including an IFRS 16 effect of €75 million (2018: €2,306 million). On a comparable basis, EBIT² remained at the previous year's level (decreased in constant currency by 4%) to €2,281 million (2018: €2,292 million). Adjustments on accounts receivable in legal dispute paired with reduced patient attribution and a decreasing savings rate for ESCOs weighed on earnings. These effects were partially offset by the remeasurement of the fair value of the investment in Humacyte, Inc. The EBIT margin² on a comparable basis decreased to 13.0% (2018: 14.3%). EBIT reported decreased by 28% in constant currency to €2,270 million (2018: €3,038 million), and the EBIT margin was 13.0% (2018: 18.4%).
- Fresenius Kabi's EBIT¹ was €1,205 million, including an IFRS 16 effect of €5 million (2018: €1,139 million). EBIT³ on a comparable basis increased by 5% (increased by 3% in constant currency) to €1,200 million (2018: €1,139 million). Excellent EBIT growth in the emerging markets partially offset the weaker financial performance in North America. The EBIT margin³ was 17.3% (2018: 17.4%).

- The EBIT of Fresenius Helios was €1,025 million, including an IFRS 16 effect of €10 million (2018: €1,052 million). Adjusted for IFRS 16, EBIT decreased by 4% (decreased by 3%⁴) to €1,015 million (2018: €1,052 million). The EBIT margin was 11.0%⁵ (2018: 11.7%). The EBIT of Helios Germany was €577 million, including an IFRS 16 effect of €1 million (2018: €625 million). Adjusted for IFRS 16, the EBIT of Helios Germany decreased by 8% (-6%⁴) to

€576 million (2018: €625 million). The EBIT margin was 9.7%⁵ (2018: 10.5%). Ongoing investments for preparatory structural measures to counter regulatory headwinds continued to weigh on Helios Germany's financial performance. The EBIT of Helios Spain was €443 million, including an IFRS 16 effect of €9 million (2018: €413 million). Adjusted for IFRS 16, the EBIT of Helios Spain increased, mainly due to the strong operating performance,

STATEMENT OF INCOME (SUMMARY)

€ in millions	2019	2018	Change
Sales	35,409	33,530	6%
Cost of goods sold	-25,061	-23,696	-6%
Gross profit	10,348	9,834	5%
Selling, general, and administrative expenses	-5,101	-4,739	-8%
Gain related to divestitures of Care Coordination activities	29	809	-96%
Research and development expenses	-645	-653	1%
Operating income (EBIT)	4,631	5,251	-12%
Interest result	-719	-587	-22%
Income before income taxes	3,912	4,664	-16%
Income taxes	-883	-950	7%
Net income	3,029	3,714	-18%
Noncontrolling interest in profit	-1,146	-1,687	32%
Net income (on a comparable basis)^{1,2}	1,915	1,872	2%
Net income ¹	1,883	2,027	-7%
Earnings per ordinary share in € (on a comparable basis) ^{1,2}	3.44	3.37	2%
Earnings per ordinary share in € ¹	3.38	3.65	-7%
EBITDA ²	6,170	6,032	2%
Depreciation and amortization ²	-1,571	-1,485	-6%

¹ Net income attributable to the shareholders of Fresenius SE & Co. KGaA

² On a comparable basis: 2018 before special items and adjusted for divestitures of Care Coordination activities at FMC; 2019 before special items and adjusted for IFRS 16 effect

¹ Before special items

² On a comparable basis: 2018 before special items and adjusted for divestitures of Care Coordination activities at FMC; 2019 before special items and adjusted for IFRS 16 effect

³ Before special items and adjusted for IFRS 16 effect

⁴ Adjusted for the post-acute care business transferred from Fresenius Helios to Fresenius Vamed as of July 1, 2018

⁵ Adjusted for IFRS 16 effect



by 5% to €434 million (2018: €413 million), with a margin of 13.2%¹ (2018: 13.7%).

- The EBIT of Fresenius Vamed was €134 million, including an IFRS 16 effect of €3 million (2018: €110 million). Adjusted for IFRS 16, EBIT increased by 19% (6%²) to €131 million (2018: €110 million). The EBIT margin was at 5.9% (2018: 6.5%). Both the service and the project business showed strong growth momentum.

Development of other major items in the statement of income

Group gross profit increased by 5% (3% in constant currency) to €10,348 million (2018: €9,834 million). The gross margin decreased to 29.2% (2018: 29.3%). The cost of sales increased by 6% to €25,061 million (2018: €23,696 million). Cost of sales as a percentage of Group sales remained on the previous year's level at 70.8% (2018: 70.7%).

Selling, general, and administrative expenses consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses including other operating income and expenses increased by 8% to -€5,101 million (2018: -€4,739 million). This change is mainly due to the increase of number of employees. Their

GROUP RETURN RATIOS

in %	2019 ¹	2019 ^{1,2}	2018 ¹	2017 ¹	2016	2015 ¹
EBITDA margin	20.1	17.4	18.1	18.5	18.7	18.3
EBIT margin	13.2	12.9	13.6	14.3	14.6	14.3
Return on sales (before taxes and noncontrolling interest)	11.2	11.5	11.9	12.3	12.6	12.1

¹ Before special items

² Adjusted for IFRS 16 effect

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 56–61.

ratio as a percentage of Group sales increased to 14.4% (2018: 14.1%). **R & D expenses** decreased by 1% to €645 million (2018: €653 million). **Depreciation and amortization** was €2,452 million, including an IFRS 16 effect of €845 million (2018: €1,494 million). The ratio as a percentage of sales was 6.9% (4.5%¹; 2018: 4.5%). **Group personnel costs** increased to €14,355 million (2018: €13,426 million). The personnel cost ratio was 40.5% (2018: 40.0%).

Group net interest before special items was -€714 million, including an IFRS 16 effect of -€204 million (2018: -€570 million). **On a comparable basis, Group net interest³** improved by 7% to -€510 million (2018: -€549 million), mainly due to refinancing activities as well as lower interest rates. **Group net interest reported** was -€719 million (2018: -€587 million).

The **Group tax rate before special items** was 23.3% (2018: 22.0%). **Group tax rate³ on a comparable basis** was 23.4% (2018: 22.1%), and thus in line with expectations. **Group tax rate reported** was 22.6% (2018: 20.4%). The increase was driven by positive one-time effects in the prior-year relating to the U.S. tax reform.

Noncontrolling interest before special items was -€1,170 million, including an IFRS 16 effect of -€49 million. **Noncontrolling interest³ on a comparable basis** was -€1,219 million (2018: -€1,243 million), of which 96% was attributable to the Noncontrolling interest in Fresenius Medical Care.

¹ Adjusted for IFRS 16 effect

² Adjusted for the post-acute care business transferred from Fresenius Helios to Fresenius Vamed as of July 1, 2018

³ On a comparable basis: 2018 before special items and adjusted for divestitures of Care Coordination activities at FMC; 2019 before special items and adjusted for IFRS 16 effect



RECONCILIATION FRESENIUS GROUP

€ in millions	2019	2018	Growth rate	Growth rate in constant currency
Sales reported	35,409	33,530	6%	4%
Divestitures of Care Coordination activities at FMC (Fresenius Medical Care)	-	-521		
IFRS 16 effect	115	-		
Sales on a comparable basis	35,524	33,009	8%	6%
EBIT reported (after special items)	4,631	5,251	-12%	-14%
Transaction costs Akorn	3	35		
Revaluations of biosimilars contingent purchase price liabilities	-32	7		
Gain related to divestitures of Care Coordination activities	-29	-809		
Transaction costs NxStage	24	-		
Expenses associated with the cost optimization program at FMC	91	-		
Impact of FCPA-related charge	-	77		
EBIT (before special items)	4,688	4,561	3%	0%
Divestitures of Care Coordination activities at FMC	-	-14		
IFRS 16 effect	-89	-		
EBIT on a comparable basis	4,599	4,547	1%	-2%
Net interest reported (after special items)	-719	-587	-22%	-20%
Bridge financing costs Akorn	-	17		
Revaluations of biosimilars contingent purchase price liabilities	5	-		
Net interest (before special items)	-714	-570	-25%	-22%
Divestitures of Care Coordination activities at FMC	-	21		
IFRS 16 effect	204	-		
Net interest on a comparable basis	-510	-549	7%	9%

RECONCILIATION FRESENIUS GROUP

To present the underlying operational business performance and in order to compare the results with the scope of the guidance provided for fiscal year 2019, key figures are presented before special items and additionally adjusted for the IFRS 16 effect and the divestitures of Care Coordination activities at Fresenius Medical Care.

Consolidated results for 2019 include special items from transaction-related expenses (e.g., NxStage), revaluations of biosimilars contingent purchase price liabilities, gains/losses related to divestitures of Care Coordination activities at Fresenius Medical Care (FMC), and expenses associated with the cost optimization program at FMC. Transaction-related costs in 2018 are mainly legal and consulting fees, as well as

costs of the financing commitment for the Akorn transaction (transaction-related expenses). Moreover, in 2018, special items arose from the impact of the FCPA-related charge at Fresenius Medical Care.

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



RECONCILIATION FRESENIUS GROUP

€ in millions	2019	2018	Growth rate	Growth rate in constant currency
Income taxes reported (after special items)	-883	-950	7%	10%
Transaction costs Akorn	0	-10		
Bridge financing costs Akorn	-	-5		
Revaluations of biosimilars contingent purchase price liabilities	8	-2		
Gain related to divestitures of Care Coordination activities	-20	136		
Transaction costs NxStage	-6	-		
Expenses associated with the cost optimization program at FMC	-24	-		
Impact of FCPA-related charge	-	-49		
Income taxes (before special items)	-925	-880	-5%	-2%
Divestitures of Care Coordination activities at FMC	-	-3		
IFRS 16 effect	-30	-		
Income taxes on a comparable basis	-955	-883	-8%	-5%
Noncontrolling interest reported (after special items)	-1,146	-1,687	32%	35%
Gain related to divestitures of Care Coordination activities	34	466		
Transaction costs NxStage	-12	-		
Expenses associated with the cost optimization program at FMC	-46	-		
Impact of FCPA-related charge	-	-19		
Noncontrolling interest (before special items)	-1,170	-1,240	6%	9%
Divestitures of Care Coordination activities at FMC	-	-3		
IFRS 16 effect	-49	-		
Noncontrolling interest on a comparable basis	-1,219	-1,243	2%	6%
Net income reported (after special items)¹	1,883	2,027	-7%	-9%
Transaction costs Akorn	3	25		
Bridge financing costs Akorn	-	12		
Revaluations of biosimilars contingent purchase price liabilities	-19	5		
Gain related to divestitures of Care Coordination activities	-15	-207		
Transaction costs NxStage	6	-		
Expenses associated with the cost optimization program at FMC	21	-		
Impact of FCPA-related charge	-	9		
Net income (before special items)¹	1,879	1,871	0%	-1%
Divestitures of Care Coordination activities at FMC	-	1		
IFRS 16 effect	36	-		
Net income on a comparable basis¹	1,915	1,872	2%	0%

¹ Net income attributable to shareholders of Fresenius SE & Co. KGaA



IFRS 16 RECONCILIATION FRESENIUS GROUP

PROFIT AND LOSS STATEMENT

€ in millions	2019		
	Before special items, adjusted for IFRS 16 effect	IFRS 16 effect	Before special items, according to IFRS 16
Sales	35,524	-115	35,409
EBITDA	6,170	934	7,104
Depreciation and amortization	-1,571	-845	-2,416
EBIT	4,599	89	4,688
Net interest	-510	-204	-714
Income taxes	-955	30	-925
Noncontrolling interest	-1,219	49	-1,170
Net income ¹	1,915	-36	1,879

BALANCE SHEET

€ in millions	December 31, 2019		
	Adjusted for IFRS 16 effect	IFRS 16 effect	According to IFRS 16
Right-of-use assets	190 ²	5,769	5,959
Lease liabilities	414 ³	6,025	6,439
Equity	26,836	-256	26,580
Total assets	61,237	5,769	67,006

CASH FLOW

€ in millions	2019		
	Adjusted for IFRS 16 effect	IFRS 16 effect	According to IFRS 16
Operating cash flow	3,514	749	4,263
Cash flow before acquisitions and dividends	1,081	749	1,830
Free cash flow	-2,294	749	-1,545
Cash provided by/used for financing activities	1,217	-749	468

¹ Net income attributable to shareholders of Fresenius SE & Co. KGaA² Reclassification from machinery, equipment, and rental equipment under capital leases as of December 31, 2018³ Reclassification from capital lease obligations and other liabilities as of December 31, 2018



RECONCILIATION BUSINESS SEGMENTS

FRESENIUS MEDICAL CARE — Reconciliation according to Fresenius Medical Care

€ in millions	2019	2018	Growth rate	Growth rate in constant currency
Sales reported	17,477	16,547	6%	2%
Divestitures of Care Coordination activities	-	-521		
IFRS 16 effect	115	-		
NxStage operations	-263	-		
Sales adjusted	17,329	16,026	8%	5%
EBIT reported	2,270	3,038	-25%	-28%
Gain related to divestitures of Care Coordination activities	-29	-809		
Divestitures of Care Coordination activities	-	-14		
IFRS 16 effect	-75	-		
NxStage operations	15	-		
Transaction costs NxStage	24	-		
Expenses associated with the cost optimization program	91	-		
Impact of FCPA-related charge	-	77		
EBIT adjusted	2,296	2,292	0%	-4%
Net income reported¹	1,200	1,982	-39%	-42%
Gain related to divestitures of Care Coordination activities	-49	-673		
Divestitures of Care Coordination activities	-	4		
IFRS 16 effect	70	-		
NxStage operations	63	-		
Transaction costs NxStage	18	-		
Expenses associated with the cost optimization program	67	-		
Impact of FCPA-related charge	-	28		
Net income adjusted¹	1,369	1,341	2%	-2%

¹ Net income attributable to Fresenius Medical Care AG & Co. KGaA



RECONCILIATION BUSINESS SEGMENTS

FRESENIUS MEDICAL CARE — Reconciliation according to the Fresenius Group

€ in millions	2019	2018	Growth rate	Growth rate in constant currency
Sales reported	17,477	16,547	6%	2%
Divestitures of Care Coordination activities	-	-521		
IFRS 16 effect	115	-		
Sales on a comparable basis	17,592	16,026	10%	6%
EBIT reported (after special items)	2,270	3,038	-25%	-28%
Gain related to divestitures of Care Coordination activities	-29	-809		
Transaction costs NxStage	24	-		
Expenses associated with the cost optimization program	91	-		
Impact of FCPA-related charge	-	77		
EBIT (before special items)	2,356	2,306	2%	-2%
Divestitures of Care Coordination activities	-	-14		
IFRS 16 effect	-75	-		
EBIT on a comparable basis	2,281	2,292	0%	-4%
Net income reported (after special items)¹	1,200	1,982	-39%	-42%
Gain related to divestitures of Care Coordination activities	-49	-673		
Transaction costs NxStage	18	-		
Expenses associated with the cost optimization program	67	-		
Impact of FCPA-related charge	-	28		
Net income (before special items)¹	1,236	1,337	-8%	-11%
Divestitures of Care Coordination activities	-	4		
IFRS 16 effect	70	-		
Net income on a comparable basis¹	1,306	1,341	-3%	-6%

¹ Net income attributable to Fresenius Medical Care AG & Co. KGaA

RECONCILIATION BUSINESS SEGMENTS

FRESENIUS KABI

€ in millions	2019	2018	Growth rate	Growth rate in constant currency
Sales reported	6,919	6,544	6%	4%
Transaction costs Akorn	3	34		
Revaluations of biosimilars contingent purchase price liabilities	-32	7		
EBIT (before special items)	1,205	1,139	6%	3%
IFRS 16 effect	-5	-		
EBIT on a comparable basis	1,200	1,139	5%	3%

FRESENIUS HELIOS

€ in millions	2019	2018	Growth rate	Growth rate in constant currency
Sales reported	9,234	8,993	3%	3%
German post-acute care business transferred from Fresenius Helios to Fresenius Vamed	-	-226		
Sales adjusted for German post-acute care business	9,234	8,767	5%	5%
EBIT reported	1,025	1,052	-3%	-3%
IFRS 16 effect	-10	-		
EBIT adjusted for IFRS 16 effect	1,015	1,052	-4%	-4%
German post-acute care business transferred from Fresenius Helios to Fresenius Vamed	-	-10		
EBIT adjusted for IFRS 16 effect and German post-acute care business	1,015	1,042	-3%	-3%

FRESENIUS VAMED

€ in millions	2019	2018	Growth rate	Growth rate in constant currency
Sales reported	2,206	1,688	31%	30%
German post-acute care business acquired from Fresenius Helios	-465	-230		
Sales adjusted for German post-acute care business	1,741	1,458	19%	19%
EBIT reported	134	110	22%	21%
IFRS 16 effect	-3	-		
EBIT adjusted for IFRS 16 effect	131	110	19%	18%
German post-acute care business acquired from Fresenius Helios	-43	-27		
EBIT adjusted for IFRS 16 effect and German post-acute care business	88	83	6%	5%

FINANCIAL POSITION

Financial management policies and goals

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

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

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

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

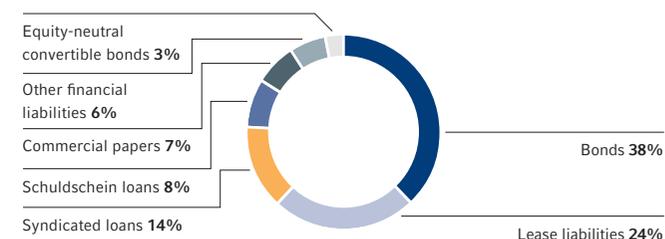
Another main objective of the Fresenius Group's financing strategy is to **optimize the weighted average cost of capital** by employing a balanced mix of equity and debt. Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global,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

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

Financing

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

FINANCING MIX OF THE FRESENIUS GROUP



Dec. 31, 2019: €27,258 million

According to IFRS 16

Financing activities in 2019 were mainly carried out to refinance existing financial liabilities, to improve terms and the maturity profile, and to expand the financial scope.

- In January 2019, Fresenius SE & Co. KGaA issued bonds with a total volume of €1.0 billion in two tranches with maturities of six and ten years. The coupon of the €500 million six-year bond is 1.875% at an issue price of 99.257%. The €500 million ten-year bond has a coupon of 2.875% and was issued at an issue price of 99.164%.
- In June 2019, Fresenius Medical Care US Finance III, Inc. issued a US\$500 million bond. The bond has a maturity of ten years and a coupon of 3.75%. The issue price was 98.461%.
- In August 2019, the revolving credit facility of the syndicated credit agreement of Fresenius SE & Co. KGaA was increased by a total of €100 million in order to expand the financing scope.

- In September 2019, Fresenius SE & Co. KGaA issued Schuldschein loans with a total volume of €700 million consisting of tranches of fixed and variable interest rates and maturities of four, seven and ten years. In addition, two variable interest rate Schuldschein loans in the total amount of €156 million were called in and repaid early in April 2019.
- In November 2019, Fresenius Medical Care AG & Co. KGaA issued bonds with a total volume of €1.75 billion. They consist of three tranches with maturities of four, seven, and ten years. The coupon of the four-year €650 million bond is 0.250% at an issue price of 99.901%. The coupon of the seven-year €600 million bond is 0.625% at an issue price of 99.238%. The coupon of the €500 million ten-year bond is 1.250% at an issue price of 99.832%.
- In January 2020, Fresenius SE & Co. KGaA issued bonds with a total volume of €750 million. The bonds have a maturity of eight years and an annual coupon of 0.750%. The issue price was 99.514%.

Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA maintain commercial paper programs under each of which up to €1.0 billion in short-term debt can be issued. As of December 31, 2019, €953 million of Fresenius SE & Co. KGaA's commercial paper program was utilized. Under Fresenius Medical Care AG & Co. KGaA's commercial paper program, €1.0 billion were outstanding.

The Fresenius Group has drawn about €4.8 billion of bilateral and syndicated credit lines. In addition, as of December 31, 2019, the Group had approximately €4.0 billion in unused credit lines available (including committed credit lines of about €2.9 billion). These credit facilities are mainly available for general corporate purposes. They are generally unsecured.

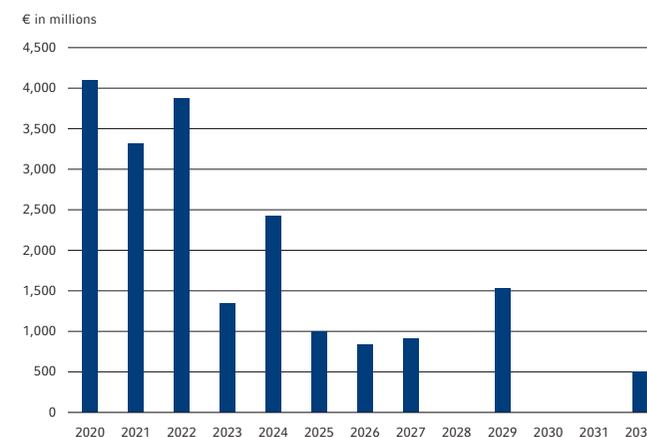
As of December 31, 2019, both Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA, including all subsidiaries, complied with the covenants under their debt arrangements.

Detailed information on the Fresenius Group's financing can be found on pages 209 to 216 of the Notes. Further information on financing requirements in 2020 is included in the Outlook section on page 75.

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

Fresenius is not involved in any off-balance-sheet transactions that are likely to have a significant impact on its financial position, expenses or income, results of operations,

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES ^{1,2}



¹ As of December 31, 2019, major financing instruments, including commercial papers

² Excluding lease liabilities

liquidity, investments, assets and liabilities, or capitalization in present or in future.

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

€ in millions	2019	2019 ²	2018	2017	2016	2015
Operating cash flow	4,263	3,514	3,742	3,937	3,585	3,349
as % of sales	12.0	9.9	11.2	11.6	12.2	12.0
Working capital ¹	8,812	8,812	7,721	7,771	6,998	6,091
as % of sales	24.9	24.8	23.0	22.9	23.7	21.8
Investments in property, plant and equipment, net	2,433	2,433	2,077	1,705	1,616	1,484
Cash flow before acquisitions and dividends	1,830	1,081	1,665	2,232	1,969	1,865
as % of sales	5.2	3.0	5.0	6.6	6.7	6.7

¹ Trade accounts receivable and inventories, less trade accounts payable and payments received on accounts

² Adjusted for IFRS 16 effect

Liquidity analysis

In general, key sources of liquidity were **operating cash flows** and **cash inflow from financing activities** including short-, mid-, and long-term debt. Cash flow from operations is influenced by the profitability of the business of Fresenius and by net working capital, especially accounts receivable. Cash inflow from financing activities is generated from short-term borrowings through the commercial paper programs, and by drawing on bilateral bank facilities. Additionally, Fresenius Medical Care can sell receivables under its accounts receivable securitization program. Mid- and long-term funding are mostly provided by the syndicated credit agreements of Fresenius SE & Co. KGaA and Fresenius Medical Care, as well as by bonds, Schuldschein loans, and convertible bonds. Fresenius is convinced that its existing credit facilities and proceeds from other financing activities, as well as the operating cash flows and additional sources of short-term funding, are sufficient to meet the Company's foreseeable liquidity needs.

Dividend

The general partner and the Supervisory Board will propose a dividend increase to the Annual General Meeting. For 2019, a dividend of €0.84 per share is proposed (2018: €0.80 per share). This is an increase of 5%. The total dividend distribution will also increase by about 5% to €468 million (2018: €445 million).

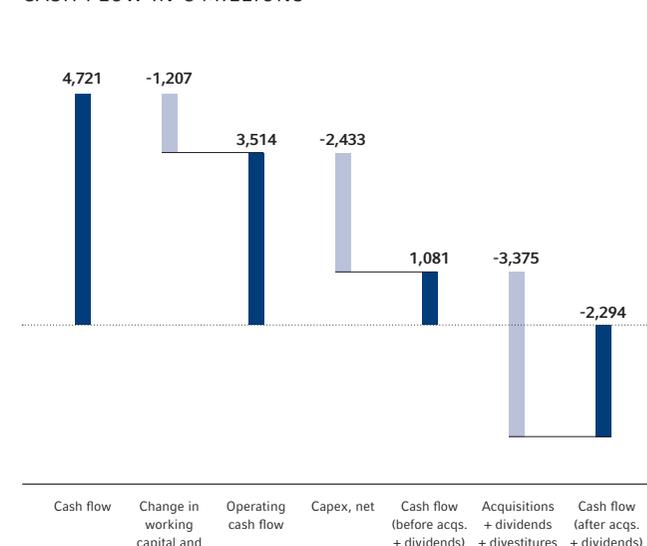
Cash flow analysis

Operating cash flow increased by 14% to €4,263 million, including an IFRS 16 effect of €749 million (2018: €3,742 million). Adjusted for IFRS 16, Group operating cash flow was €3,514 million (2018: €3,742 million) with a margin of 9.9% (including IFRS 16 12.0%; 2018: 11.2%). The decrease is mainly due to the FCPA payment of €206 million at Fresenius Medical Care.

Operating cash flow was more than sufficient to meet all financing needs for investment activities, excluding acquisitions, whereby cash used for capital expenditure was €2,459 million, and proceeds from the sale of property, plant and equipment were €26 million (2018: €2,149 million and €72 million, respectively).

Cash flow before acquisitions and dividends was €1,830 million, including an IFRS 16 effect of €749 million (2018: €1,665 million). Adjusted for IFRS 16, cash flow

CASH FLOW IN € MILLIONS¹



¹ Adjusted for IFRS 16 effect

CASH FLOW STATEMENT (SUMMARY)

€ in millions	2019	2019 ¹	2018	Change	Change ¹	Margin
Net income	3,029	3,114	3,714	-18%	-16%	
Depreciation and amortization	2,452	1,607	1,494	64%	8%	
Change in working capital and others	-1,218	-1,207	-1,466	17%	18%	
Operating cash flow	4,263	3,514	3,742	14%	-6%	12.0%
Capital expenditure, net	-2,433	-2,433	-2,077	-17%	-17%	
Cash flow before acquisitions and dividends	1,830	1,081	1,665	10%	-35%	5.2%
Cash used for acquisitions, net	-2,423	-2,423	613	--	--	
Dividends paid	-952	-952	-904	-5%	-5%	
Cash flow after acquisitions and dividends	-1,545	-2,294	1,374	--	--	
Cash provided by/used for financing activities	468	1,217	-369	--	--	
Effect of exchange rate changes on cash and cash equivalents	22	22	68	-68%	-68%	
Change in cash and cash equivalents	-1,055	-1,055	1,073	-198%	-198%	

¹ Adjusted for IFRS 16 effect

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

before acquisitions and dividends was €1,081 million (2018: €1,665 million), particularly due to increased investments. This was sufficient to finance the Group dividends of €952 million.

Group dividends consisted of dividend payments of €445 million to the shareholders of Fresenius SE & Co. KGaA, payments of €355 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €262 million (primarily relating to Fresenius Medical Care). These payments were partially offset by the dividend of €110 million that Fresenius SE & Co. KGaA received as a shareholder of Fresenius Medical Care.

The cash outflow for acquisitions was €2,423 million.

Cash flow after acquisitions and dividends was -€1,545 million, including an IFRS 16 effect of €749 million (2018: €1,374 million). Adjusted for IFRS 16, cash flow after acquisitions and dividends was -€2,294 million (2018: €1,374 million).

Overall, cash provided by financing activities was €468 million, including an IFRS 16 effect of -€749 million (2018 cash used for financing activities: -€369 million). Adjusted for IFRS 16, cash used for financing activities was €1,217 million. The negative IFRS 16 effect in cash used for financing activities reverses the positive IFRS 16 effect on each of the following items: operating cash flow, cash flow before acquisitions and dividends, and cash flow after acquisitions and dividends.

Cash and cash equivalents decreased by €1,055 million to €1,654 million as of December 31, 2019 (December 31, 2018: €2,709 million). Cash and cash equivalents were positively influenced by currency translation effects of €22 million (2018: positive effect of €68 million).

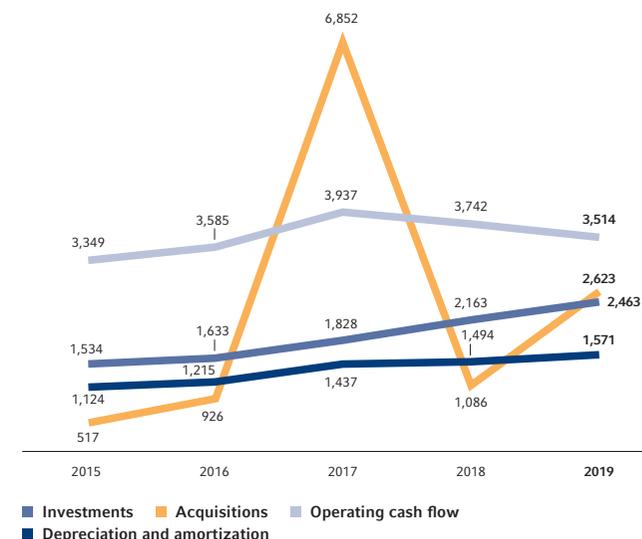
Investments and acquisitions

In 2019, the Fresenius Group provided €5,086 million (2018: €3,249 million) for investments and acquisitions. **Investments in property, plant and equipment** increased to €2,463 million (2018: €2,163 million). At 7.0% of reported sales (2018: 6.5%), this was above the depreciation level¹ of €2,416 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. A total of €2,623 million was invested in **acquisitions** (2018: €1,086 million). Of the total capital expenditure in 2019, 48% was invested in property, plant and equipment and 52% was spent on acquisitions.

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

- Fresenius Medical Care's acquisition spendings were mainly related to the acquisition of NxStage and the purchase of dialysis clinics.

INVESTMENTS, ACQUISITIONS, OPERATING CASH FLOW, DEPRECIATION AND AMORTIZATION IN € MILLIONS – FIVE-YEAR OVERVIEW¹



¹ Adjusted for IFRS 16 effect; depreciation and amortization before special items

INVESTMENTS / ACQUISITIONS BY BUSINESS SEGMENT

€ in millions	2019	2018	Thereof		Change	% of total
			property, plant and equipment	acquisitions		
Fresenius Medical Care	3,422	2,014	1,125	2,297	70%	67%
Fresenius Kabi	812	615	726	86	32%	16%
Fresenius Helios	693	501	482	211	38%	14%
Fresenius Vamed	85	540	56	29	-84%	2%
Corporate/Other	74	-421	74	0	175%	1%
Total	5,086	3,249	2,463	2,623	57%	100%

¹ Before special items

- Fresenius Kabi's acquisition spending was mainly for already planned acquisition-related milestone payments relating to the acquisition of the biosimilars business from Merck KGaA.
- Fresenius Helios' acquisition spending was mainly for the acquisition of clinics and outpatient clinics in Spain and Colombia and the purchase of outpatient clinics in Germany.
- Fresenius Vamed's acquisition spending was mainly for the purchase of technical service providers.

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

- modernization of existing, and equipping of new, dialysis clinics at Fresenius Medical Care.
- optimization and expansion of production facilities, primarily in North America and Europe for Fresenius Medical Care, and for Fresenius Kabi, primarily in Europe, North America, and Asia. Significant individual projects for Fresenius Kabi were investments in the production plant in Melrose Park near Chicago and investments in Wilson, North Carolina, and Wuxi. The aim of these investments is, among other things, to further increase the degree of modernization and automation and thus to make a significant contribution to the continuous increase in efficiency and to further raise our quality standards in these plants.

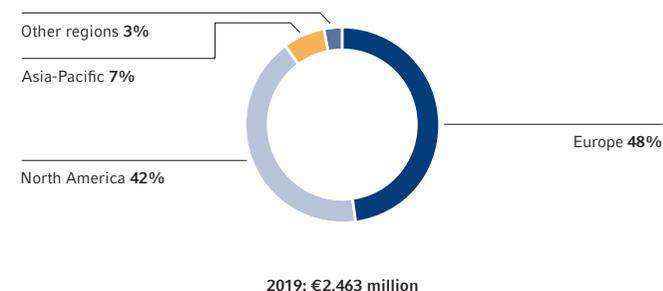
- new building and modernization of hospitals at Fresenius Helios. The most significant individual projects were, among other locations, hospitals in Duisburg, Wuppertal, and Wiesbaden, and the construction of a proton beam therapy center in Madrid.

Investments in property, plant and equipment of €529 million will be made in 2020, to continue with **major ongoing investment projects** on the reporting date. These are investment obligations mainly for hospitals at Fresenius Helios, as well as investments to expand and optimize production facilities for Fresenius Medical Care and Fresenius Kabi. These projects will be financed from operating cash flow.

Acquisition of NxStage Medical, Inc.

On February 21, 2019, Fresenius Medical Care acquired all of the outstanding shares of NxStage for US\$30.00 per common share. The total acquisition value of this business combination, net of cash acquired, is US\$1,976 million (€1,741 million at date of closing). NxStage is a leading medical technology company that develops, produces, and markets an innovative product portfolio of medical devices for use in home dialysis and in the critical care setting. NxStage has been consolidated as of February 21, 2019.

INVESTMENTS BY REGION



INVESTMENTS AND ACQUISITIONS

€ in millions	2019	2018	Change
Investment in property, plant and equipment	2,463	2,163	14%
thereof maintenance	47%	47%	
thereof expansion	53%	53%	
Investment in property, plant and equipment as % of sales	7.0	6.5	
Acquisitions	2,623	1,086	142%
Total investments and acquisitions	5,086	3,249	57%



ASSETS AND LIABILITIES

Asset and liability structure

The Group's **total assets** were €67,006 million, including an IFRS 16 effect of €5,769 million. Adjusted for IFRS 16, Group total assets increased by 8% (7% in constant currency) to €61,237 million (Dec. 31, 2018: €56,703 million). The increase is mainly driven by business expansion. Inflation had no significant impact on the assets of Fresenius in 2019.

Current assets increased by 3% (3% in constant currency) to €15,264 million (Dec. 31, 2018: €14,790 million). Within current assets, trade accounts receivable increased by 12% to €7,176 million (Dec. 31, 2018: €6,434 million). At 75 days, average days sales outstanding was slightly above the previous year's level (74 days).

Inventories increased by 13% to €3,633 million (Dec. 31, 2018: €3,218 million). The scope of inventory in 2019 was 63 days (Dec. 31, 2018: 60 days). The ratio of inventories to total assets decreased to 5.4% (Dec. 31, 2018: 5.7%).

Non-current assets were €51,742 million, including an IFRS 16 effect of €5,769 million. Adjusted for IFRS 16, non-current assets increased by 10% (9% in constant currency) to €45,973 million (Dec. 31, 2018: €41,913 million). Additions to property, plant and equipment, and to goodwill had an effect. The goodwill and intangible assets in the amount of

€31,606 million (Dec. 31, 2018: €28,843 million) has proven sustainable and increased mainly due to the acquisitions made in fiscal year 2019. The addition to the goodwill from acquisitions was €1,732 million in fiscal year 2019. Please see page 203 ff. of the Notes for further information.

Shareholders' equity, including noncontrolling interest, was €26,580 million, including an IFRS 16 effect of -€256 million. Adjusted for IFRS 16, total shareholders' equity increased by 7% (6% in constant currency) to €26,836 million (Dec. 31, 2018: €25,008 million). **Group net income** attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €1,883 million. The equity ratio, including noncontrolling interest, was 39.7%. Adjusted for IFRS 16, the equity ratio was 43.8% (Dec. 31, 2018: 44.1%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity, including noncontrolling interest, covers 51% of non-current assets (Dec. 31, 2018: 60%). Shareholders' equity, noncontrolling interest, and long-term liabilities cover all non-current assets and 38% of inventories.

Long-term liabilities were €26,542 million, including an IFRS 16 effect of €5,275 million. Adjusted for IFRS 16, long-term liabilities increased by 15% to €21,267 million (15% in constant currency; Dec. 31, 2018: €18,420 million). **Short-term liabilities** were €13,884 million, including an IFRS 16 effect of €750 million. Adjusted for IFRS 16, short-term liabilities decreased by 1% to €13,134 million (-1% in constant currency; Dec. 31, 2018: €13,275 million).

The Group has neither provisions nor accruals that are of major significance as individual items.

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	2019	2019 ²	2018	2017	2016	2015
Total assets	67,006	61,237	56,703	53,133	46,697	43,233
Shareholders' equity ¹	26,580	26,836	25,008	21,720	20,849	18,453
as % of total assets ¹	40	44	44	41	45	43
Shareholders' equity ¹ /non-current assets, in %	51	58	60	54	60	56
Debt	27,258	21,233	18,984	19,042	14,780	14,769
as % of total assets	41	35	33	36	32	34
Gearing in %	96	73	65	80	63	74

¹ Including noncontrolling interest

² Adjusted for IFRS 16 effect



Group debt was €27,258 million, including an IFRS 16 effect of €6,025 million. Adjusted for IFRS 16, Group debt increased by 12% (11% in constant currency) to €21,233 million (Dec. 31, 2018: €18,984 million). Its relative weight in the balance sheet was 41% (35%¹; Dec. 31, 2018: 33%). Approximately 34% (28%¹) of the Group's debt is denominated in U.S. dollars. Liabilities due in less than one year were €5,508 million (Dec. 31, 2018: €4,944 million), while liabilities due in more than one year were €21,750 million (Dec. 31, 2018: €14,040 million).

Group **net debt** was €25,604 million, including an IFRS 16 effect of €6,025 million. Adjusted for IFRS 16, Group net debt increased by 20% (20% in constant currency) to €19,579 million (Dec. 31, 2018: €16,275 million), mainly due to the acquisition of NxStage by Fresenius Medical Care.

The net debt to equity ratio including noncontrolling interest (gearing) is 96% (73%¹; Dec. 31, 2018: 65%).

The **return on equity after taxes**² (equity attributable to shareholders of Fresenius SE & Co. KGaA) decreased to 11.2% (11.3%¹; Dec. 31, 2018: 12.1%). The return on total assets after taxes and before noncontrolling interest² decreased to 4.6% (5.1%¹; 2018: 5.5%).

Group **ROIC** was 6.7%² (7.4%^{1,2}; 2018: 8.3%²), and Group **ROOA** was 7.6%² (8.2%^{1,2}; 2018: 9.0%²). Within the position invested capital, the goodwill of €27.7 billion had a significant effect on the calculation of ROIC. It is important to take

FIVE-YEAR OVERVIEW FINANCING KEY FIGURES

	Dec. 31, 2019 ^{1,2}	Dec. 31, 2019 ^{1,2,5}	Dec. 31, 2018 ^{1,2}	Dec. 31, 2017 ^{1,2}	Dec. 31, 2016 ²	Dec. 31, 2015 ¹
Debt/EBITDA	3.8	3.4	3.2	3.1	2.7	2.9
Net debt/EBITDA ³	3.6	3.1	2.7	2.8	2.3	2.7
Net debt/EBITDA ⁴	3.6	3.1	2.7	2.8	2.4	2.7
EBITDA/net interest ¹	9.9	12.1	10.6	9.6	9.5	8.4

¹ Before special items

² Pro forma acquisitions/divestitures

³ At LTM average exchange rates for both net debt and EBITDA

⁴ Net debt at year-end exchange rate; EBITDA at LTM average exchange rates

⁵ Adjusted for IFRS 16 effect

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 56–61.

ROIC AND ROOA BY BUSINESS SEGMENTS

in %	ROIC			ROOA		
	2019	2019 ⁴	2018	2019	2019 ⁴	2018
Fresenius Medical Care ^{1,2}	6.5	7.6	9.5	7.6	8.5	10.0
Fresenius Kabi ^{1,2}	9.5	9.9	10.2	10.5	10.8	11.1
Fresenius Helios ¹	5.2	5.5	5.8	6.1	6.3	6.8
Fresenius Vamed ³	7.1	9.0	10.1	7.0	8.3	9.1
Group ^{1,2}	6.7	7.4	8.3	7.6	8.2	9.0

¹ Pro forma acquisitions

² Before special items

³ ROIC: invested capital is insignificant due to prepayments, cash, and cash equivalents

⁴ Adjusted for IFRS 16 effect

¹ Adjusted for IFRS 16 effect

² Before special items; pro forma closed acquisitions/divestitures

into account that approximately 67% of the goodwill is attributable to the strategically significant acquisitions of

- National Medical Care in 1996,
- Renal Care Group and HELIOS Kliniken in 2006,
- APP Pharmaceuticals in 2008,
- Liberty Dialysis Holdings in 2012,
- Hospitals of Rhön-Klinikum AG in 2014,
- Quirónsalud and the biosimilars business in 2017, as well as
- NxStage in 2019.

Those have significantly strengthened the competitive position of the Fresenius Group.

In 2019, the Fresenius Group's return on invested capital (ROIC) substantially exceeded our cost of capital. The WACC (weighted average cost of capital) of Fresenius Medical Care was 5.59%; the WACC of the other business segments was 5.46%.

Currency and interest risk management

The nominal value of all foreign currency hedging contracts was €2,147 million as of December 31, 2019. These contracts had a market value of -€12 million. The nominal value of interest rate hedging contracts was €180 million. These contracts had a market value of around €1 million. Please see the Opportunities and Risk Report on page 84 f. and the Notes on pages 235 to 244 for further information.

CORPORATE RATING

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

On May 23, 2019, Standard & Poor's raised the Fresenius corporate rating from BBB- with positive outlook to BBB with stable outlook.

The table below shows the company rating and the respective outlook as of December 31, 2019.

RATING OF FRESENIUS SE & CO. KGAA

	Dec. 31, 2019	Dec. 31, 2018
Standard & Poor's		
Corporate Credit Rating	BBB	BBB-
Outlook	stable	positive
Moody's		
Corporate Credit Rating	Baa3	Baa3
Outlook	stable	stable
Fitch		
Corporate Credit Rating	BBB-	BBB-
Outlook	stable	stable