



LETTER TO OUR SHAREHOLDERS

FRESENIUS



Stephan Sturm
Chairman of the Management Board



Dear shareholders,

These are extraordinary times – for the entire world, but also for us as a company. We are looking back on a year unlike any we have experienced before. A year of huge challenges in both medical and economic terms. Challenges that to a great extent are still with us. Just how we have dealt with and will continue to deal with these challenges – the successes we have had and what we are going to do to remain successful – is what I intend to convey to you below.

Most important for me is what we have done and continue to do in this global pandemic. It was clear early on that we would be needed more than ever. We are helping to ensure that healthcare systems across the globe continue to function, even in a fundamental crisis such as this one. We are doing all we can to provide the best possible care to people. This is our responsibility, and we are meeting it. I am proud of that.

I am especially proud of our great employees! Since the middle of last year, they have numbered more than 300,000. What we have achieved during the pandemic is due to them. Their work and commitment are and have been exemplary, often performed on the front lines in our hospitals, dialysis clinics and plants, or in logistics. They have made sure our patients were cared for, and saved lives through their tremendous dedication. For this – and I am sure I speak for you as well – they deserve our deepest respect and gratitude.

A focal point has been, and continues to be, our 140 acute-care hospitals. We have made all of them fully available for the care of COVID-19 patients. This has been the case for Helios in Germany and for Quirónsalud in Spain and Latin America. We acted very promptly to significantly increase the number of intensive care beds and ventilation stations everywhere. Particularly in Spain, the situation was for a time quite dramatic. One development that I found particularly moving: Teams of doctors and nursing personnel from Germany traveled to Spain to support their colleagues. All these volunteers knew the risks but saw the need to help – and an opportunity to gain valuable experience in treating COVID-19.

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During the first wave of the pandemic we also admitted COVID-19 patients from France and Italy to our hospitals in Germany. Since the spring of 2020, Helios has run what is known as a multicenter COVID-19 register to obtain important data for virus research. And in Austria, Fresenius Vamed has used its rehabilitation clinics to provide relief to the acute-care hospitals.



Despite the many serious difficulties and restrictions caused by the pandemic, our employees have worked with tremendous dedication to ensure that our patients are cared for – and that lives are saved.

In dialysis, also, the pandemic remains a huge challenge. Dialysis patients must receive their treatments – normally three times a week – or else they die. At our more than 4,000 dialysis centers around the world, we raised safety and hygiene standards even higher to ensure that kidney disease patients continued to receive life-saving dialysis.

What happens when dialysis patients nonetheless contract COVID-19? They still need dialysis. In the United States, therefore, we have cooperated with other dialysis providers to jointly provide isolation capacity for treating dialysis patients who are, or may be, infected with COVID-19.

As vital as dialysis is, so are many of our other products and services. That is why we did everything we could, even during the most difficult phases of the pandemic, to maintain their production and distribution. Where possible, we



We have ensured that even during the COVID-19 pandemic, kidney disease patients continue to receive their life-saving dialysis treatments.

expanded it. At Fresenius Medical Care, acute-dialysis products in particular were in very high demand at times, because COVID-19 often leads to acute kidney failure. We also significantly expanded production of Novalung, a device for the treatment of respiratory failure.

For some drugs produced by Fresenius Kabi, for example the anesthetic Propofol, demand also increased sharply. Here too we responded early and adjusted production to devote all compatible capacity to the manufacture of drugs in especially high demand. What is particularly important to me in this context: We did not take advantage of the situation, choosing instead to keep our prices stable despite significantly higher demand. We communicated this very clearly, right from the start. For us, it was simply a matter of decency.

These are just a few of many examples of our contribution in the battle against the coronavirus – a struggle that has shaped us all; both as a society and as a company. We have learned a lot since February 2020. We have changed things and we have adjusted – very quickly. Even after the battle is won, much of this will stay with us: not least a stronger sense of community and joint purpose that brings still more “We” to Fresenius. We are a very large company with a decentralized structure, for which there are good reasons. Nonetheless, we share the same values and the same commitment: Ever better medicine for ever more people. The



We took extensive measures to meet the sharp increase in worldwide demand for important medications needed to treat COVID-19 patients. And we have succeeded in maintaining the production and distribution of vital healthcare products.

crisis has underscored this once again. The degree of support between the business segments, across countries and continents, has never been greater. Everyone is giving their best, sharing knowledge and experience. We are learning a lot from each other and I am certain that this will stay with us for a long time.



Of course, there was more to 2020 than the coronavirus. Independent of the pandemic, we achieved important successes and built for the future. For example, late last year we acquired Eugin Group, a leading international fertility services provider. Its network comprises 31 clinics and another 34 sites spread across nine countries on three continents.

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Eugin Group offers a wide spectrum of state-of-the-art services in the field of reproductive medicine and is an excellent fit with Fresenius Helios. In combination with existing services from our inpatient and outpatient network, we can now accelerate development of a holistic and interdisciplinary patient care model while realizing significant synergies.

We also continued to expand the classic hospital business. In Germany we acquired four hospitals from the Malteser humanitarian aid group and, in Bogota, Colombia, the Clínica de la Mujer. Now we are active in Colombia's capital and in two of the country's other major cities, Medellin and Cali.

In addition, we continue to make good progress with our expansion of home dialysis. We have now successfully completed the integration of the NxStage portfolio in the Europe, Middle East and Africa region. This will enable us to offer even more patients a greater choice of treatment methods, especially treatment in their home environment. Already, in the United States, 14 percent of the dialysis treatments we provide are performed in patients' homes. Dialysis at home offers many advantages and demand is rising steadily in many regions. The pandemic has further strengthened this trend.

Also last year, we submitted our second biosimilar – pegfilgrastim, a drug used in cancer treatment – for approval in the U.S. and Europe. We expect it will be approved this year. More biosimilars are in development. We remain very satisfied with this business area, which is still new to us. A special milestone, which we expect to reach in 2023, will be the U.S. launch of our adalimumab biosimilar IDACIO. From then on, we anticipate annual biosimilar sales in the high three-digit-million-euro range.



Growth driver biosimilars: In 2020 we submitted our second biosimilar for regulatory approval, and expect to launch IDACIO in the United States in 2023.

Here too, these examples are just a few among many. We continue to successfully develop our business in many areas. We have laid the foundations for continued profitable growth and we have made our contribution in a worldwide health crisis. But without doubt, the pandemic has imposed some heavy economic burdens on us. Despite a major effort on our part, it has significantly impacted the business side.

The answer to the following question may surprise many people: Shouldn't a healthcare company like ours be especially profitable during a global health crisis? No, actually – it doesn't work that way. When economic cycles are interrupted, it hurts us too. Most importantly, Fresenius is not just about intensive care medicine. The pandemic has imposed major restrictions on us in all four business segments, for which we have been only partly compensated.

For example, the number of elective – that is to say, non-urgent – surgeries has fallen significantly almost everywhere in the world. This impacts the hospital business of Fresenius Helios. It also means less demand for many Fresenius Kabi products. There was also an appreciable drop in demand for Fresenius Vamed's services, for example in rehabilitation and health tourism, and its project business is suffering greatly due to ongoing restrictions on travel. Many projects, especially in emerging markets, have been interrupted, postponed or even canceled. Since last autumn, there has been a higher global mortality rate among our dialysis patients due to COVID-19. This is above all a human tragedy, one that deeply saddens me. But it also weighs on our economic performance. When treatments are cancelled, it results in decreased revenue at a time of continuing higher costs.

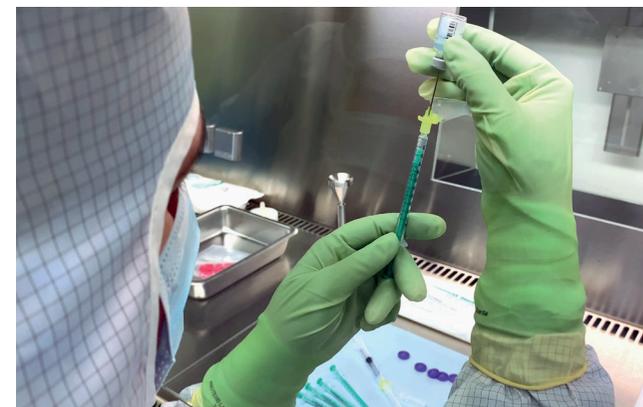
Against this background, our business performance in 2020 was good. Despite the pandemic, we increased sales again, by about 5 percent in constant currency. However, our

earnings declined for the first time in many years – by 3 percent in constant currency. Under the circumstances, it was a successful business year, though not a year of dynamic growth. It was certainly not the kind of year that people have come to expect from us – nor was it what we expected early last year, before the coronavirus struck. Still, we proved our resiliency, thanks to the breadth and depth of our products and services. Without the projected impact of COVID-19, we would have fully achieved our guidance of one year ago – including a strong increase in earnings.

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Therefore, despite the earnings decline, we are proposing a 28th consecutive dividend increase. The growth drivers that are important for us remain intact. Our growth may have been slowed by the pandemic, but our underlying business is developing well and growing steadily. That is a solid operational development, and we want you, dear shareholders, to receive your fair share.

What are our expectations for the future? Currently, I must assume that we will continue to face significant coronavirus-related restrictions at least until mid-year. We do not expect measurable relief until the second half, and then only in stages. Just how quickly and to what extent the situation normalizes will depend, in no small part, on how the rollout of vaccines progresses in our major markets. Therefore, for 2021 we expect that, in constant currency, sales will increase in the low to mid-single-digit percentage range with at least broadly stable earnings.

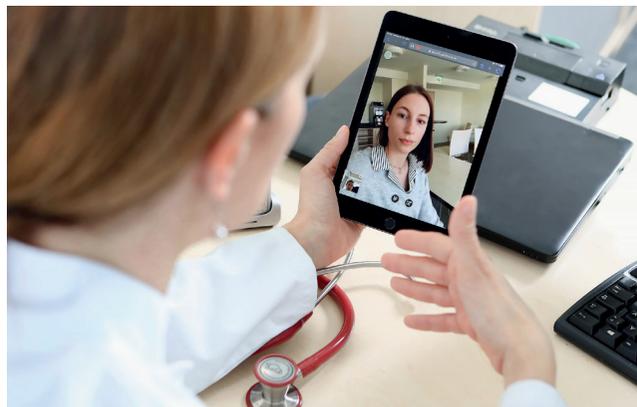


Just how rapidly and extensively the COVID-19 situation eases in this business year will depend in no small part on how the rollout of vaccines progresses in our major markets.

We confirm our ambitious medium-term targets through 2023 – despite burdens imposed by a pandemic that were wholly unforeseeable when we first announced this guidance in early 2019. But as I said earlier: Our underlying growth drivers remain intact. For this reason, we also believe we still can reach these medium-term targets. The prerequisite, of course, is that our growth noticeably accelerates in the next years.

To ensure this happens, we have resolved and embarked upon a series of strategic initiatives for the years through 2023 and beyond. The core element is a package of measures to increase efficiency and profitability. This will affect all business segments and be implemented in the coming years. Essentially, it will involve examining our existing structures and business models. Is there a good reason for everything we are doing? And are we duplicating – or even triplicating – some things? Where are synergies feasible?

Cost reduction is, of course, one of our goals: We expect sustained savings after tax and minority interest of at least €100 million annually from 2023 onward. But our priority here is to free up resources to enable us to do other, more important things. Things that will help us expand our business and continue growing.



COVID-19 as an accelerator of changes in healthcare: Much of what is done today on an inpatient basis will eventually be shifted to outpatient, and much of what is now handled on an outpatient basis can eventually be done at home. We are working full out to expand our offering – not least in telemedicine.

In our new growth sectors, for example: I have already mentioned three of them – biosimilars, home dialysis and reproductive medicine. We will also significantly expand our digital offering. This is an area that received a huge boost from the coronavirus. Take just telemedicine as an example. The pandemic opened many eyes to its potential. In general terms: Much of what is done today on an inpatient basis will eventually be shifted to outpatient, and much of what is now handled on an outpatient basis can eventually be done at home. It is clear to us that we are on the right track with what we have been doing so far, and we are working full out to expand our offering.

Will we also examine the merits of our Group structure? Of course! In principle, we do that all the time. Currently we do not see a need for fundamental changes.

» We will bring ever better medicine to ever more people. «

I am greatly confident that our strategic initiatives are bearing fruit. Our future continues to look bright. We are needed. We will bring ever better medicine to ever more people. We will grow dynamically again in the coming years. And through this growth we will make Fresenius even more valuable.

With kind regards,

Stephan Sturm
Chairman of the Management Board