FRESENIUS

2020

ANNUAL REPORT

FRESENIUS

FRESENIUS MEDICAL CARE FRESENIUS KABI FRESENIUS HELIOS FRESENIUS VAMED

Fresenius is a global health care Group providing 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. More than 311,000 employees have dedicated themselves to the service of health in over 100 countries worldwide.

Play Image Film

GROUP IN FIGURES

€ in millions	2020	2019 [1]	2018	2017	2016
Sales and earnings					
Sales	**36,277**	35,409	33,530	33,886	29,471
EBITDA [2]	**7,132**	7,104	6,055	6,267	5,517
EBIT [2]	**4,612**	4,688	4,561	4,830	4,302
Net income [3]	**1,796**	1,879	1,871	1,816	1,560
Depreciation and amortization	**2,520**	2,416	1,430	1,437	1,215
Earnings per share in € [3]	**3.22**	3.37	3.37	3.28	2.85
Cash flow and balance sheet					
Operating cash flow	**6,549**	4,263	3,742	3,937	3,585
Operating cash flow as % of sales	**18.1%**	12.0%	11.2%	11.6%	12.2%
Total assets	**66,646**	67,006	56,703	53,133	46,697
Non-current assets	**50,874**	51,742	41,913	40,529	34,953
Equity [4]	**26,023**	26,580	25,008	21,720	20,849
Equity ratio [4]	**39%**	40%	44%	41%	45%
Net debt	**24,076**	25,604	16,275	17,406	13,201
Net debt/EBITDA [5,6]	**3.44**	3.61	2.71	2.84	2.33
Investments [7]	**3,300**	5,086	3,249	8,680	2,559
Profitability					
EBIT margin [2]	**12.7%**	13.2%	13.6%	14.3%	14.6%
Return on equity after taxes (ROE) [3]	**10.6%**	11.2%	12.1%	13.3%	12.3%
Return on operating assets (ROOA) [5]	**7.3%**	7.6%	9.0%	9.4%	10.0%
Return on invested capital (ROIC) [5]	**6.5%**	6.7%	8.3%	8.0%	8.5%
Dividend per share in €	**0.88** [8]	0.84	0.80	0.75	0.62
Employees (December 31)	**311,269**	294,134	276,750	273,249	232,873

[1] Including IFRS 16 effect
[2] Before special items
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA; before special items
[4] Including noncontrolling interests
[5] Before special items; 2016, 2017, 2018, 2019, 2020 pro forma acquisitions
[6] At average exchange rates for both net debt and EBITDA
[7] Investments in property, plant and equipment, and intangible assets, acquisitions
[8] Proposal

For a detailed overview of special items please see the reconciliation tables on pages 69 to 71.

View our interactive tool

TARGETS, RESULTS, AND OUTLOOK

	TARGETS 2020[1]	RESULTS 2020	OUTLOOK 2021[2]
Fresenius Group			
Sales growth (in constant currency)	+3% to +6%	**5%**	Low-to-mid single-digit percentage growth
Net income[3] growth (in constant currency)	-4% to +1%	**-3%**	At least broadly stable
Investments in property, plant and equipment	6% to 7% of sales	**7% of sales**	~6% of sales
Liquidity and capital management			
Cash flow margin	12% to 14%	**18.1%**	10% to 12%
Net debt/EBITDA	Around the top-end of the self-imposed target corridor of 3.0 x to 3.5 x[4]	**3.44 x**	Around the top-end of the self-imposed target corridor of 3.0 x to 3.5 x[4]

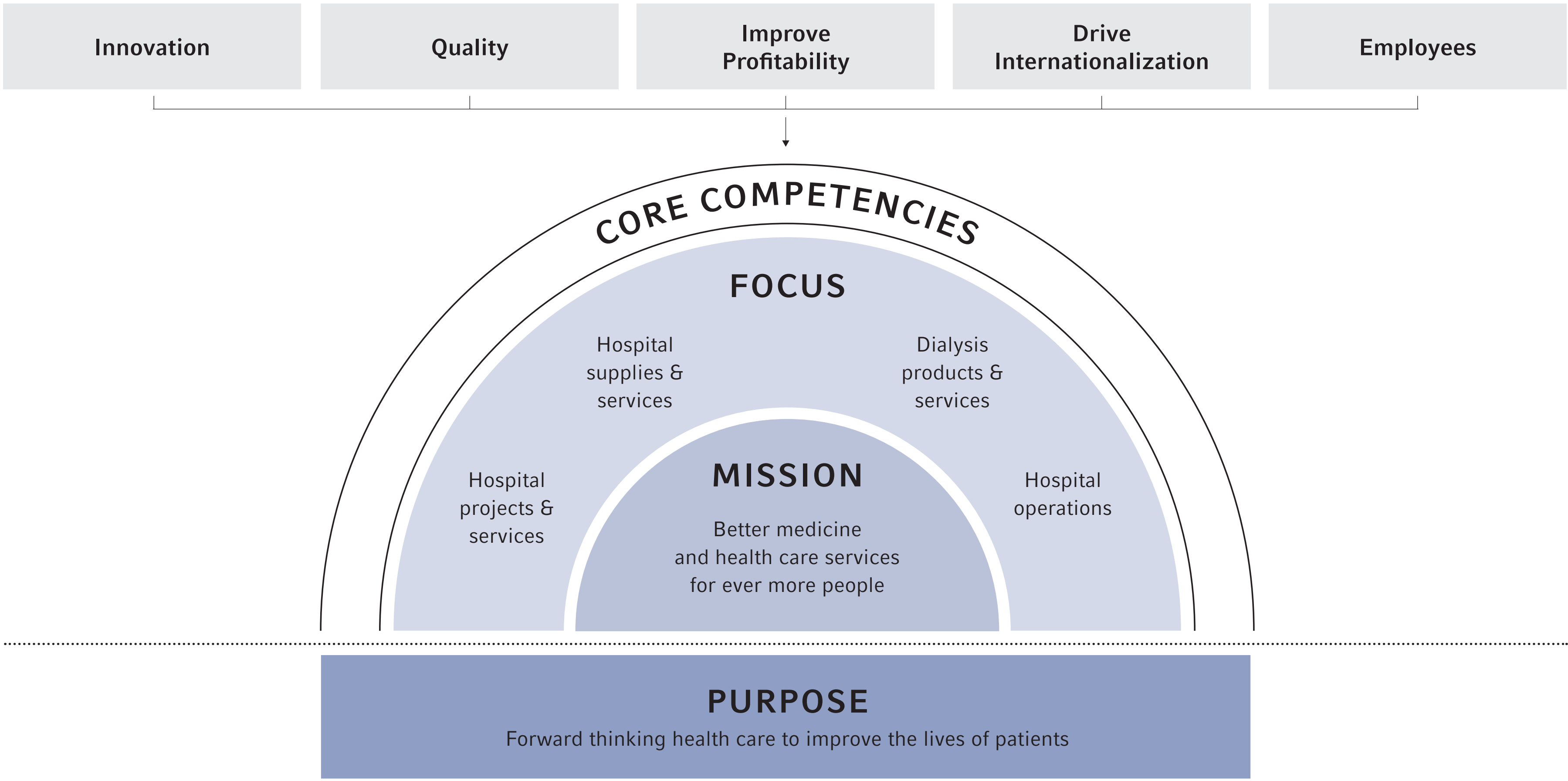
[1] Before special items; including expected COVID-19 effects (updated in Juy 2020; more information within table achieved Group targets on p. 63)
[2] Before special items, including expected COVID-19 effects
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[4] At average expected exchange rates for both net debt and EBITDA; excluding further potential acquisitions; before special items

TARGETS, RESULTS, AND OUTLOOK

	TARGETS 2020 [1]	RESULTS 2020	OUTLOOK 2021 [2]
Business segments			
Fresenius Medical Care			
Sales growth (in constant currency)	Mid-to-high single-digit %-range	5%	Low-to-mid single-digit percentage growth
Net income [3,4] growth (in constant currency)	Mid-to-high single-digit %-range	12%	High-teens to mid-twenties percentage decline
Fresenius Kabi			
Sales growth (organic)	+2% to +5%	4%	Low-to-mid single-digit percentage growth
EBIT growth (in constant currency)	-6% to -3%	-6%	Stable to low single-digit percentage growth
Fresenius Helios			
Sales growth (organic)	+1% to +4%	4%	Low-to-mid single-digit percentage growth
EBIT growth (in constant currency)	Broadly stable	0%	Mid-to-high single-digit percentage growth
Fresenius Vamed			
Sales growth (organic)	~ -10%	-8%	Mid-to-high single-digit percentage growth
EBIT	Positive absolute EBIT	+€29 million	High double-digit € million amount

[1] Before special items, including estimated COVID-19 effects (updated in October 2020, more information within table achieved Group targets on p. 63)
[2] Before special items, including estimated COVID-19 effects
[3] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[4] Special items are effects that are unusual in nature and were not foreseeable or not foreseeable in size or impact at the time of giving guidance.

FRESENIUS STRATEGY



FRESENIUS MEDICAL CARE.

Fresenius Medical Care is the world's leading provider of products and services for individuals with renal diseases. We aim to create a future worth living for chronically and critically ill patients – worldwide and every day.

COMPREHENSIVE DIALYSIS PRODUCTS AND SERVICES

When the kidney function of patients fails, dialysis takes over the vital task of cleansing the blood of toxins and surplus water. We offer products and services along the entire dialysis value chain. In addition to dialysis machines, dialyzers, and related disposables, we operate our own dialysis clinics worldwide. As part of our strategy 2025, we will concentrate on three key areas in which we want to leverage our core competencies – innovation of products, operating outpatient facilities, standardizing medical procedures, and efficiently coordinating patients:

Renal care continuum
By applying digital technologies such as artificial intelligence, we work on new forms of renal therapy to foster personalized medicine and holistic home care, among other things. Our value-based care models will push forward the transition from fee-for-service to pay-for-performance models to offer even better and affordable care. We are expanding these models to the treatment of chronic kidney disease and the area of kidney transplantation. Also, we continue to invest in the development of renal care innovations and gain access to new technologies.

Critical care solutions
We are extending our critical care portfolio to other extracorporeal intensive care therapy areas, such as the treatment of heart, lung, and multi-organ failure.

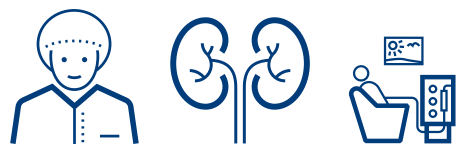
Complementary assets
To create an additional basis for future growth, we are further expanding our network of complementary assets through partnerships, investments, and acquisitions. This will help us to create additional medical value while cutting costs.

OUR SUCCESS FACTORS

- Sustainable business based on high-quality products and services
- Strong global footprint
- Leading market positions
- Highly qualified employees
- High level of vertical integration

OUR GROWTH DRIVERS

- Global patient growth due to aging population and chronic diseases
- Increasing presence in emerging markets
- Standardizing medical procedures
- Increasing demand for home hemodialysis
- Providing integrated solutions for patients and health care systems
- Developing and enhancing value-based care



MARKET DYNAMICS

Increase in worldwide demand

~3%

patient growth in 2020

+37%

growth of home hemodialysis treatments in 2020 in the United States

Global market for dialysis products and services

~€ 82 bn

Quality in dialysis treatments enables saving in the U.S. market

US$ 4.9 bn savings

created by all dialysis providers for Medicare and taxpayers since QIP (quality incentive program) was enacted

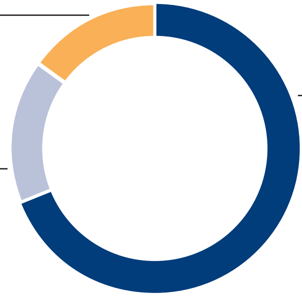
Big Data is driving new treatment models

~54 million

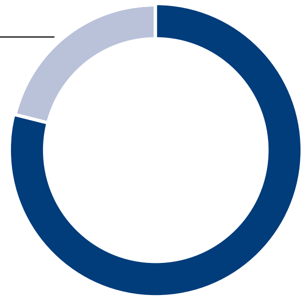
dialysis treatments in 2020

providing sound data basis to further standardize medical setups at Fresenius Medical Care

SALES BY REGION



SALES BY PRODUCTS AND SERVICES



Source information can be found on page 335.

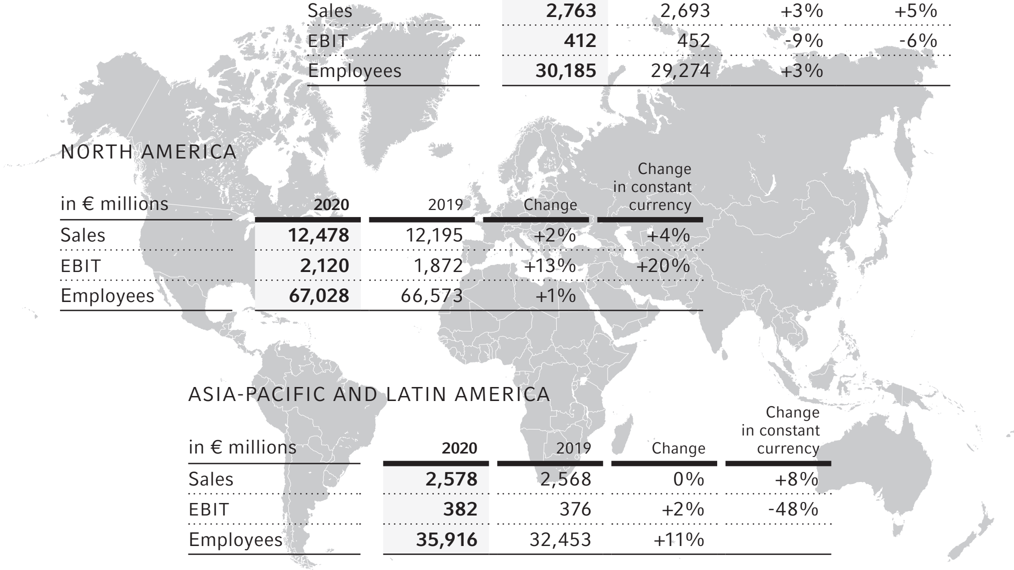
HIGHLIGHTS

- **Fresenius Medical Care expands production at St. Wendel plant in response to higher demand caused by COVID-19 pandemic**
  Work on the new line was accelerated due to the coronavirus pandemic, enabling the company to put it into operation several months ahead of schedule. Severe COVID-19 cases often cause acute kidney failure, which has significantly increased worldwide demand for the solutions needed to conduct acute dialysis.

- **Fresenius Medical Care partners with other dialysis providers to combat COVID-19 pandemic in the United States**
  The goal was to create a nationwide emergency plan with other dialysis organizations in order to create capacities across providers for isolated treatment and thus ensure the continuity of care for dialysis patients.

- **FDA clears Novalung for treatment of acute respiratory and cardiopulmonary failure**
  The Novalung ECMO system (“extracorporeal membrane oxygenation”) maintains the patient’s blood circulation and oxygenates their blood, reducing the stress on damaged heart and lungs. Novalung is the first ECMO system to be cleared for more than six hours of use as extracorporeal life support.

SALES AND EARNINGS DEVELOPMENT



EMEA

in € millions	2020	2019	Change	Change in constant currency
Sales	**2,763**	2,693	+3%	+5%
EBIT	**412**	452	-9%	-6%
Employees	**30,185**	29,274	+3%	

NORTH AMERICA

in € millions	2020	2019	Change	Change in constant currency
Sales	**12,478**	12,195	+2%	+4%
EBIT	**2,120**	1,872	+13%	+20%
Employees	**67,028**	66,573	+1%	

ASIA-PACIFIC AND LATIN AMERICA

in € millions	2020	2019	Change	Change in constant currency
Sales	**2,578**	2,568	0%	+8%
EBIT	**382**	376	+2%	-48%
Employees	**35,916**	32,453	+11%	

FRESENIUS KABI.

Fresenius Kabi is a global health care company that specializes in lifesaving medicines and technologies. Our products and services are used to help care for critically and chronically ill patients. Fresenius Kabi's primary focus is on meeting the needs of patients and health care professionals while acting responsibly to our people, society, and environment.

COMPREHENSIVE PRODUCT PORTFOLIO

IV drugs
Intravenously administered generic drugs (IV) across a wide array of therapeutic categories: oncology, anesthetics, analgesics, anti-infectives, and critical care. This type of administration is used in cases of emergency, since the drug reaches the entire human body directly through the bloodstream and can be effective within a few seconds. IV drugs are also administered in intensive care and during surgery.

Clinical nutrition
Parenteral nutrition (administered intravenously) and enteral nutrition (administered as sip or tube feed via the gastro-intestinal tract). Both serve to help patients who cannot eat any, or sufficient, normal food.

Infusion therapy
Infusion solutions and blood volume substitutes.

Biosimilars
Focus on autoimmune diseases and oncology. A biosimilar is a biological medicine highly similar to another already-approved biological medicine (the "reference medicine").

Medical devices
Devices and disposables used to administer IV generic drugs, infusion therapies, and clinical nutrition products.

Transfusion technology
Products for collection of blood components and extra-corporeal therapies.

OUR SUCCESS FACTORS

- Improve the quality of life of our patients
- Affordable high-quality products
- Supply reliability
- Highly qualified employees
- Strong global footprint
- Leading market positions
- Innovation in products, processes, and systems

OUR GROWTH DRIVERS

- Organic growth through geographic product rollouts and product launches
- Development of qualified and talented employees
- Strong product pipeline
- Development and rollout of biosimilars
- Increasing presence in emerging markets
- Selective small and mid-sized acquisitions

MARKET DYNAMICS

Continuing growth of generics and biopharmaceuticals in 2021 expected

5–7%
for generic IV drugs
(in sales/€)

5–7%
for biopharmaceuticals
(in volume)

Global addressable market 2020

~€ 105 bn

Increase in the aging population to

16%
of total population
will be > age 65 by 2050 (9% in 2019)

Growing health care spending in emerging markets

+6.3%
growth p.a.
over the next decade

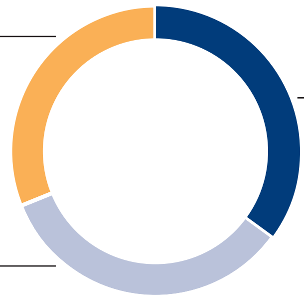
Rising cost consciousness in health care spending – significant savings from generics

~US$ 293 bn
savings p.a.
in the United States

~€ 100 bn
savings p.a.
in the EU

SALES BY REGION

Emerging markets
31%



Europe
35%

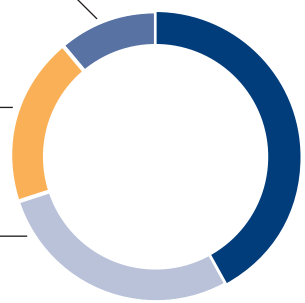
North America
34%

SALES BY PRODUCT SEGMENT

Infusion technology
11%

Medical devices/TT
19%

Clinical nutrition
28%



IV generics
42%

Source information can be found on page 335.

HIGHLIGHTS

▸ **Maximizing production capacity** of key products during COVID-19 pandemic

Fresenius Kabi has responded to the significant increase in worldwide demand for essential drugs and infusion technology for the treatment of COVID-19 patients, especially medicines for sedation such as Propofol, pain management drugs, and infusion pumps. We maximized supply, with all compatible manufacturing capacity dedicated to these important products.

▸ Commitment to **keep prices stable**

We have committed ourselves to keep prices for essential drugs for COVID-19 patients stable during this pandemic.

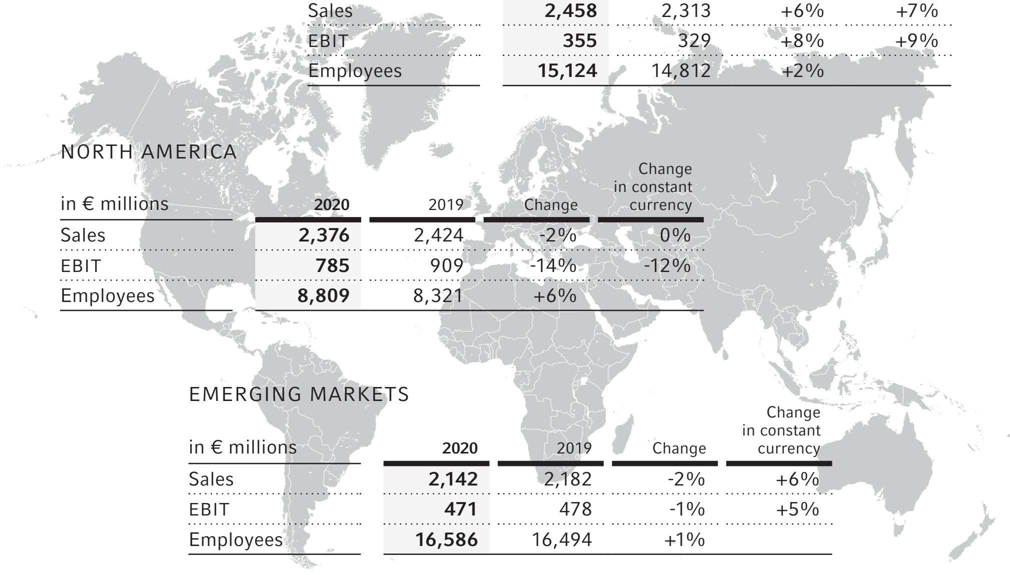
▸ Accelerated **internationalization of our** product portfolio

We continued to expand our global presence, achieving double-digit growth in our enteral nutrition business in northeast and southeast Asia and in Latin America. Another important milestone is the market coverage of our 3-chamber bags, with which we are now present in more than 100 countries worldwide.

▸ Further progress in our **biosimilars business**

We received acceptance for review of the regulatory submission from the European Medicines Agency (EMA) and the U.S. Food and Drug Administration (FDA) for our pegfilgrastim biosimilar candidate. These are important milestones following last year's approval and launch of our first biosimilar product Idacio (adalimumab) in Europe.

SALES AND EARNINGS DEVELOPMENT



EUROPE

in € millions	2020	2019	Change	Change in constant currency
Sales	**2,458**	2,313	+6%	+7%
EBIT	**355**	329	+8%	+9%
Employees	**15,124**	14,812	+2%	

NORTH AMERICA

in € millions	2020	2019	Change	Change in constant currency
Sales	**2,376**	2,424	-2%	0%
EBIT	**785**	909	-14%	-12%
Employees	**8,809**	8,321	+6%	

EMERGING MARKETS

in € millions	2020	2019	Change	Change in constant currency
Sales	**2,142**	2,182	-2%	+6%
EBIT	**471**	478	-1%	+5%
Employees	**16,586**	16,494	+1%	

FRESENIUS HELIOS.

Fresenius Helios is Europe's largest private hospital operator, offering expertise in all areas and at all levels of clinical care. It is also a provider of ambulatory care with a strong services network. Fresenius Helios carries responsibility for approximately 20 million patients who undergo medical treatment with it every year.

COMPREHENSIVE INPATIENT AND OUTPATIENT CARE

Fresenius Helios comprises Helios Germany and Helios Spain (Quirónsalud); both are part of the holding company Helios Health.

Our extensive expertise and know-how in ensuring high-quality, efficient, and patient-focused health care are exchanged across borders. This mutual knowledge transfer aims to continuously optimize the care of our patients.

Helios Germany
Helios Germany operates 89 hospitals, around 130 outpatient clinics, and 6 prevention centers. It is the largest provider of inpatient and outpatient care in Germany.

Helios Spain (Quirónsalud)
Quirónsalud operates 46 hospitals, 70 outpatient centers, and around 300 occupational risk prevention centers. It is the largest private hospital operator in Spain. The company offers comprehensive health care that encompasses all medical specialties. In addition, the company is active in Latin America with 6 hospitals and as a provider of medical diagnostics.

The platform **Curalie** bundles the digital offerings of Fresenius Helios. Curalie's support tools are specifically designed to treat chronically ill patients.

OUR SUCCESS FACTORS

- Focus on patients' safety and satisfaction
- Leading market positions
- Achieving measurable, high-quality standards of medicine
- Future-oriented workplace
- Strong hospital network and development of centers of excellence
- Digital support tools for patient treatment

OUR GROWTH DRIVERS

- Organic growth through growing patient admissions and increasing prices for hospital services
- Growth opportunities in the outpatient sector and development of new patient care models
- Increasing digital connectivity with patients
- Carrying out greenfield projects
- Providing development opportunities for doctors and nurses
- Selective inorganic growth

MARKET DYNAMICS

Hospital market in Germany

~€ 109 bn

Private hospital market in Spain

~€ 16 bn

Length of stay below the average

of 7.2 days

in Germany provides benefits for hospital operators
(Helios Germany: 5.7 days)

Average increase of private health insurance policies in Spain of

~2.5% p.a.

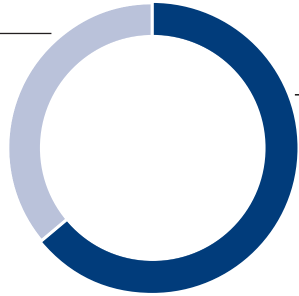
Relatively low average of

2.5
hospital beds
in Spain (per 1,000 inhabitants) provides opportunities for growth

Inpatient treatments could be performed by

25%
in outpatient settings.
An increased focus on ambulatory care offers chances for hospital operators.

SALES BY REGION



KEY HOSPITAL INDICATORS

	2020	2019	Change
Acute clinics Germany	**86**	83	+4%
Beds	**29,451**	28,380	+4%
Acute clinics Spain and Latin America	**52**	50	+4%
Beds	**7,936**	7,288	+9%
Patient numbers Germany	**5,151,717**	5,566,613	-7%
Patients treated in hospital	**1,044,959**	1,206,654	-13%
Patients treated as outpatients	**4,101,716**	4,354,527	-6%
Patient numbers Spain and Latin America	**15,037,804**	15,396,051	-2%
Patients treated in hospital	**927,414**	845,560	+10%
Patients treated as outpatients	**14,110,390**	14,550,491	-3%

Source information can be found on page 335.

HIGHLIGHTS

- **Swiftly and with strong commitment**, Fresenius Helios made significant contributions to combat the COVID-19 pandemic in 2020. In Spain, Quirónsalud treated around 13% of the country's total COVID-19 patients during the first wave of the pandemic. To contribute to transparency and data-based evaluation, Helios Germany publishes the bed utilization in each of its hospitals on a daily basis.

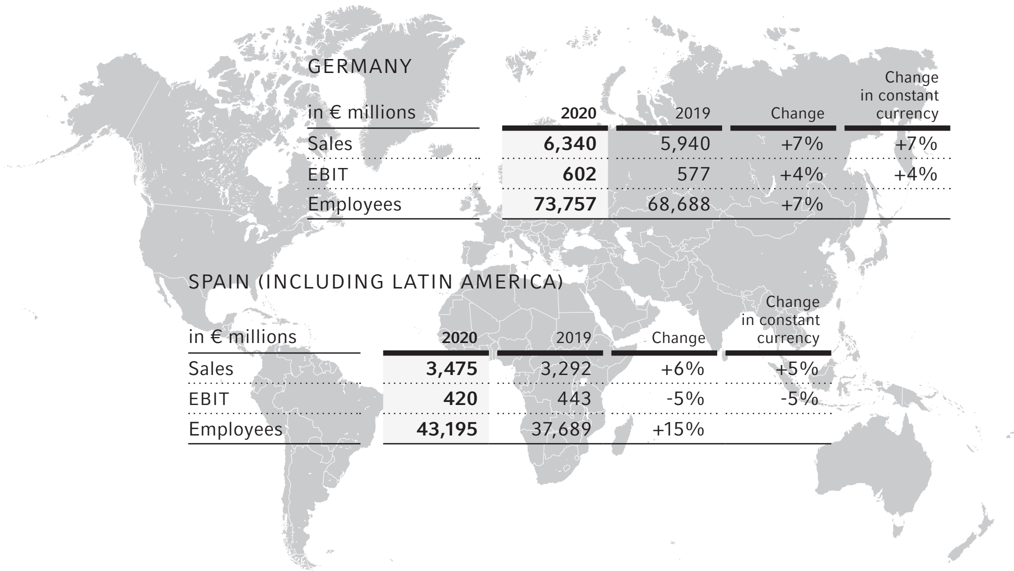
- The German federal government created **financial shields** to indemnify hospital providers against the suspension of elective procedures and increased costs for treating COVID-19 patients. However, the hospitals were not fully compensated for forgone treatments and increased costs. In Spain, we were compensated for additional costs related to COVID-19 patients.

- Our digital health platform **Curalie** offers treatment support for inpatient and ambulatory care as well as prevention.

- Helios Germany **acquired four hospitals** and **six medical care centers** from the Malteser humanitarian aid group. The facilities have a total of ~1,300 beds and had sales of about €230 million in 2019, and are an excellent fit for Fresenius Helios' strategy of building specialized centers within regional clusters.

- The **acquisition of Eugin Group** adds a global network of fertility clinics to Fresenius Helios. Eugin offers substantial organic and non-organic growth opportunities. It had sales of about €160 million in 2019 and is expected to be accretive to Fresenius' net income in 2021.

SALES AND EARNINGS DEVELOPMENT



GERMANY

in € millions	2020	2019	Change	Change in constant currency
Sales	**6,340**	5,940	+7%	+7%
EBIT	**602**	577	+4%	+4%
Employees	**73,757**	68,688	+7%	

SPAIN (INCLUDING LATIN AMERICA)

in € millions	2020	2019	Change	Change in constant currency
Sales	**3,475**	3,292	+6%	+5%
EBIT	**420**	443	-5%	-5%
Employees	**43,195**	37,689	+15%	

FRESENIUS VAMED.

Fresenius Vamed is a leading global provider of services for hospitals and other health care facilities. Its portfolio ranges from project development and planning to the total operational management of health care facilities and providing services to patients. Our services are aimed at various areas of health care, ranging from prevention to acute care, rehabilitation, and nursing.

COMPREHENSIVE PRODUCT PORTFOLIO

Service business

High-end services

Fresenius Vamed's range of services covers all areas of technical, commercial, and infrastructural facility management as well as the highly specialized areas of medical technology management, sterile services, operational technology, and IT development. In 2020, we provided technical facility management services for 820 health care facilities with 207,000 beds worldwide.

Total operational management

Fresenius Vamed is responsible for the total operational management of health care facilities, is a leading provider of rehabilitation and care in Central Europe, and builds a bridge between preventive medicine and health tourism with its spa and health resorts.

Project business

Fresenius Vamed's project business comprises consulting on projects, project development, planning, turnkey construction, and financing management of projects. Fresenius Vamed responds flexibly to the local needs of clients, providing custom-tailored solutions all from a single source to put the project on the right track in functional, technical, and financial terms. Fresenius Vamed is a pioneer in the field of public-private partnerships (PPP) for hospitals and other health care facilities and is currently implementing the largest PPP project in the German health care sector.

OUR SUCCESS FACTORS

- Unique range of services
- Extensive competencies in all health care areas
- Leading position in the area of PPP models
- Long-term life cycle models
- Providing access to health care services
- Worldwide education and training programs

OUR GROWTH DRIVERS

- Expansion of health care infrastructure in emerging markets
- Outsourcing of non-medical services to private operators
- Post-acute care business as platform for further international growth
- Selective small and mid-sized acquisitions
- Expanding positions in preventive medicine such as health tourism

MARKET DYNAMICS

Telemedicine market in Europe is estimated to grow

14.1% p.a.
till 2025.

Global preventive health care is estimated to grow

9.5% p.a.
till 2025.

Outsourcing of non-medical services provided by public institutions to private providers grew in Germany by

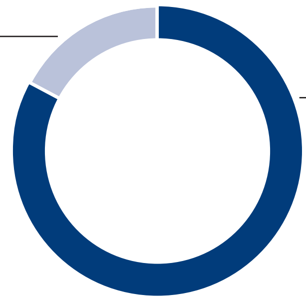
50%
from 2013 to 2018.

Emerging markets' share of global health expenditure will grow to

33%
by 2022.

SALES BY REGION

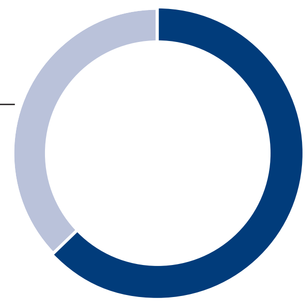
Emerging markets
12%



Europe
88%

SALES BY PRODUCT SEGMENT

Project business
31%



Service business
69%

Source information can be found on page 335.

HIGHLIGHTS

▸ **Fresenius Vamed has been a reliable partner during the COVID-19 pandemic**

During the pandemic, Fresenius Vamed has contributed significantly with its technical services to the continuous operation of the health care facilities it takes care of worldwide. In the project business, projects have been advanced or completed and handed over under difficult conditions.

In the post-acute care facilities and thermal and health care spa resorts, concepts for the protection of patients and guests were developed and implemented at an early stage. In phases, health care facilities have also been placed in the service of public health in coordination with the authorities and kept available for COVID-19 patients and other people in need of care.

▸ **Continued robust development of high-end technical services despite the COVID-19 pandemic**

▸ **COVID-19-related impacts on project business and total operational management**

Fresenius Vamed's international project business and the acquisition of new orders have been strongly impacted by severe international travel restrictions, partial disruptions of supply chains, and restrictions on funds from donor countries. The need for investment in health care infrastructure nevertheless remains. Furthermore, the COVID-19 pandemic led to lower demand for rehabilitation services due to postponed elective surgeries.

SALES AND EARNINGS DEVELOPMENT

SALES BY REGION

€ in millions	2020	2019	Change	% of total Fresenius Vamed sales
Europe	1,815	1,823	0%	88%
Africa	80	81	-1%	4%
Asia-Pacific	136	198	-31%	6%
Latin America	37	104	-64%	2%
Total	**2,068**	2,206	-6%	100%

SALES BY BUSINESS SEGMENT

€ in millions	2020	2019	Change	% of total Fresenius Vamed sales
Project business	633	807	-22%	31%
Service business	1,435	1,399	+3%	69%

ORDER INTAKE AND ORDER BACKLOG FOR PROJECTS

€ in millions	2020	2019	Change
Order intake	1,010	1,314	-23%
Order backlog	3,055	2,865	+7%

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LETTER TO OUR SHAREHOLDERS

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.

» We are helping to ensure that healthcare systems across the globe continue to function, even in a fundamental crisis such as this one. «

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 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.

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

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 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.

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.

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.

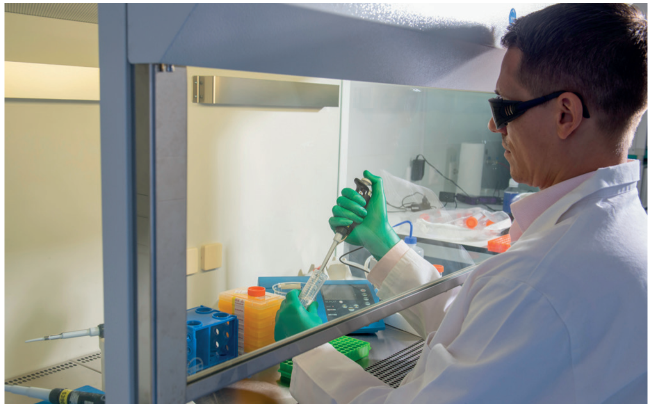
» Of course, there was more to 2020 than the coronavirus. Independent of the pandemic, we achieved important successes and built for the future. «

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.

» Despite the pandemic, we increased sales again, by about 5 percent in constant currency. «

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

MANAGEMENT BOARD

Stephan Sturm
Chairman of the Management Board

Rachel Empey
Chief Financial Officer

Dr. Sebastian Biedenkopf
Legal, Compliance, Insurance and Human Resources, Labor Relations Director

Rice Powell
Business Segment
Fresenius Medical Care

Mats Henriksson
Business Segment
Fresenius Kabi
(until 16.03.2021)

Dr. Francesco De Meo
Business Segment
Fresenius Helios

Dr. Ernst Wastler
Business Segment
Fresenius Vamed

REPORT OF THE SUPERVISORY BOARD

Dr. Gerd Krick
Chairman

REPORT OF THE SUPERVISORY BOARD

In 2020, 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, on the management of the Company. It also monitored the management as part of its responsibilities as Supervisory Board.

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 business events.

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 2020 – in March, May, October and December. 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 in detail the sales and earnings growth and decisions of importance to the Company, based on the reports provided by 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 business events 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.

All meetings of the Supervisory Board and its committees in 2020 were attended by all current members of the Supervisory Board of Fresenius SE & Co. KGaA or of the respective committee.

Participation in meetings of the Supervisory Board and the Audit Committee is reported individually for each member on the Company's website. Information on this can be found under "Supervisory Board".

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2020, the Supervisory Board mostly focused its monitoring and consulting activities on 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 for 2021
- medium-term planning of the Fresenius Group
- business segment strategies (particularly the business outlook for Fresenius Medical Care and Fresenius Helios)
- FCPA monitor at Fresenius Medical Care
- Management and Supervisory Board remuneration system

At its meetings and within the Audit Committee, the Supervisory Board also kept itself regularly informed about the Group's risk situation and risk management activities as well as compliance.

At the meeting on March 12, 2020, the Supervisory Board dealt in detail with the audit and approval of the financial statements, the consolidated financial statements (IFRS) as well as the management report and the Group management report of Fresenius SE & Co. KGaA. The results for 2019 were discussed on the basis of a detailed report provided by the Chairman of the Audit Committee and statements by the auditor. 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 2019. In addition, the business segments reported in detail on the course of business in the first two months of the fiscal year. The focus was on Fresenius Medical Care. Another item discussed was the agenda of the Annual General Meeting of Fresenius SE & Co. KGaA, which was planned for May 20, 2020. Finally, the Supervisory Board conducted its annual efficiency review at this meeting.

At its meeting on May 20, 2020, the Supervisory Board elected Ms. Grit Genster as Deputy Chairwoman of the Supervisory Board and as a member of the Audit Committee. In addition, the Management Board reported on business performance for the months January through April 2020. The focus was on the consequences of the COVID-19 pandemic. The Supervisory Board also discussed the holding of the Annual General Meeting, which was postponed due to the COVID-19 pandemic.

At the Supervisory Board meeting on October 13, 2020, the members of the Supervisory Board were informed in detail about business performance from January through September 2020. The focus was on the Fresenius Helios business segment. Information was also provided on the declaration of conformity with the German Corporate Governance Code.

The meeting of the Supervisory Board on December 3, 2020, focused on the development of business in 2020. In addition, plans for the years 2021 to 2023 for the Group and separately for all four segments were also presented and discussed in detail. The Chairman of the Audit Committee reported in detail on the status of preparation of the financial statements. In addition, the Supervisory Board dealt with the Management Board remuneration system. Furthermore, a resolution was passed on the declaration of conformity with the German Corporate Governance Code.

CORPORATE GOVERNANCE

On December 20, 2020, the Supervisory Board and the Management Board of the general partner jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code under Section 161 of the German Stock Corporation Act (AktG).

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 2020.

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 184 to 197 of the Annual Report. Fresenius has disclosed the information on related parties on page 316 of the Annual Report.

SEPARATE GROUP NON-FINANCIAL REPORT

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the separate Group Non-financial Report for 2020.

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 15 and 16, 2021, 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 16, 2021, the Supervisory Board approved the separate Group Non-financial Report submitted by the general partner.

The separate Group Non-financial Report is published on pages 106 to 181 of the Annual Report and the auditor's findings are published on page 182 f. of the Annual Report.

WORK OF THE COMMITTEES

The Audit Committee held three meetings in the reporting year. It also held four teleconferences. The focus of its monitoring activities was on the preliminary audit of the annual financial statements and the consolidated financial statements for 2019. It also discussed the audit reports and the focal points of the audit with the auditor. 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 2020. The Supervisory Board has proposed to the 2020 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 2020 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.

This proposal was based on a recommendation to this effect by the Audit Committee. The Audit Committee also dealt with the following items in detail:

- the 2020 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 KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main.

The Chairman of the Audit Committee reported regularly in subsequent Supervisory Board meetings on the work of the committee.

The Chairman of the Audit Committee maintains a regular dialog between the Supervisory Board and the Audit Committee, on the one hand, and auditors on the other, even outside of meetings.

The Company's Nomination Committee did not meet in 2020.

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 2020, no transactions were carried out that required its approval. For this reason, the Joint Committee did not meet in 2020.

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 184 to 195 and page 328 f. of the Annual Report.

PERSONNEL

Dr. Karl Schneider resigned from the Joint Committee as of December 31, 2019. Mr. Klaus-Peter Müller was appointed his successor with effect from January 1, 2020. Mr. Niko Stumpfögger resigned from the Supervisory Board and the Audit Committee as of April 30, 2020. Ms. Grit Genster succeeded him on the Supervisory Board with effect from May 1, 2020, and on the Audit Committee with effect from May 20, 2020. Dr. Jürgen Götz resigned from the Management Board of the general partner Fresenius Management SE as of June 30, 2020. Dr. Sebastian Biedenkopf was appointed to the Management Board effective December 1. Otherwise, there were no changes to the composition of the Management Board of the general partner Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA and its committees in 2020.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the accounting records, the annual financial statements and the Company's management report and the consolidated financial statement, and the Group management report for 2020. The firm was elected as auditor in accordance with a resolution passed at the Annual General Meeting of Fresenius SE & Co. KGaA on August 28, 2020, 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 Company's financial statements, management report and Group management report were prepared in accordance with the accounting principles of the German Commercial Code (HGB) and the consolidated financial statements were prepared in accordance with IFRS accounting principles, as applicable in the EU, and with the regulations governing such statements under Section 315e of the German Commercial Code (HGB). The auditors of KPMG 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 15 and 16, 2021. 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 16, 2021, the Supervisory Board approved the financial statements and management reports submitted by the general partner. It also approved the statements they contained on the future development of the Company.

The Supervisory Board concurs with the general partner's proposal for the 2020 profit distribution.

The Supervisory Board would like to thank the members of the Management Board of the general partner and all employees for their achievements.

Bad Homburg v. d. H., March 16, 2021

The Supervisory Board of Fresenius SE & Co. KGaA

Dr. Gerd Krick
Chairman

FRESENIUS SHARE. In 2020, the Fresenius share price was impacted by the COVID-19 pandemic. Despite the challenges faced during the year, we propose the 28th consecutive dividend increase.

STOCK MARKETS AND DEVELOPMENT OF THE FRESENIUS SHARE

The COVID-19 pandemic significantly shaped the global economy in 2020 and led to a sharp decline in economic activity. Despite much uncertainty about the further development of the COVID-19 pandemic, the capital markets recovered significantly from the lows in the first quarter, due to economic stimulus measures taken by governments. Economic activity and employment have picked up in recent months, but remained well below their levels from the beginning of the year.

The DAX, Germany's most important stock market barometer, increased by 4%. The Dow Jones STOXX© Europe 600 ended the year with a loss of 4%. In this index, the health care sector (Dow Jones STOXX© Europe 600 Health Care) fell by 3%. The leading U.S. indices performed as follows: the S&P 500 and the Dow Jones Industrial Average both increased, by 16% and 6%, respectively.

The closing price for the Fresenius share on December 31, 2020, was €37.84 and thus 25% below the closing price of 2019. During the course of the year, the lowest price was recorded on March 19 at €25.66, and the highest on January 9 at €50.32. At https://www.fresenius.com/share-price-center you can find an interactive chart tool for graphical display and further analysis of the shares. You can also find out how the Fresenius share has performed compared to the shares of competitors.

The market capitalization of Fresenius was €21 billion as of December 31, 2020. The average daily trading volume on Xetra increased by 23% to 2,085,926 Fresenius shares compared to the previous year (2019: 1,693,849).

In the United States, Fresenius has a Sponsored Level I American Depositary Receipt (ADR) program. In this program, four Fresenius ADRs correspond to one Fresenius share. The ADRs were traded in the OTCQX International Premier market segment until December 31, 2020.

CAPITAL STRUCTURE

The total number of issued shares at the end of 2020 was 557,540,909 (December 31, 2019: 557,379,979 shares). The increase is due to the exercise of options in accordance with stock option plans. Information on stock option plans can be found on pages 305 to 316 of the Notes to this Annual Report.

INVESTOR RELATIONS

Our investor relations are in accordance with the transparency rules of the German Corporate Governance Code. We communicate comprehensively, promptly, and openly with private and institutional investors, as well as financial analysts. The equal treatment of all market actors is very important to us.

We also maintained our intense dialog with the capital markets in 2020. Since the beginning of the COVID-19 pandemic and the worldwide travel restrictions, Fresenius has presented itself in major financial markets exclusively virtually, via telephone and video conferences.

We continued our contacts with institutional investors and analysts at 26 international investor conferences, 12 roadshows, and in numerous one-on-one meetings. We also organized CEO calls and virtual field trips with banks, giving investors and analysts the opportunity to discuss matters with the Management Board.

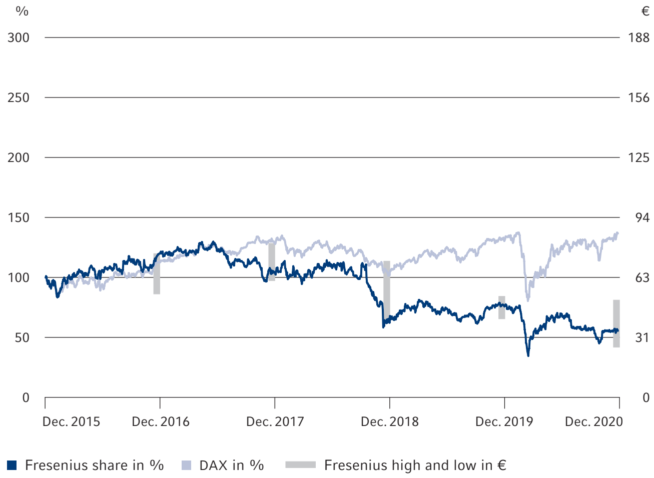
Due to COVID-19, we did not participate in private shareholder events in 2020.

At www.fresenius.com/events-and-presentations our private shareholders can follow live webcasts of the conference calls and can make use of the continuously increasing range of information offered on our website and social media channels on Twitter and LinkedIn.

The Fresenius investor relations team and the management team were recognized in the results of the 2020 All-Europe Executive Team Survey, a broad survey conducted by the company Institutional Investor, which annually surveys some 15,000 investors and analysts on various aspects of good investor relations. On this occasion, the Fresenius investor relations team was honored, once again, as the best in the MedTech & Services sector in Europe.

RELATIONAL SHARE PRICE PERFORMANCE 2016 – 2020

FRESENIUS SHARE VS. DAX



ABSOLUTE SHARE PRICE PERFORMANCE 2020

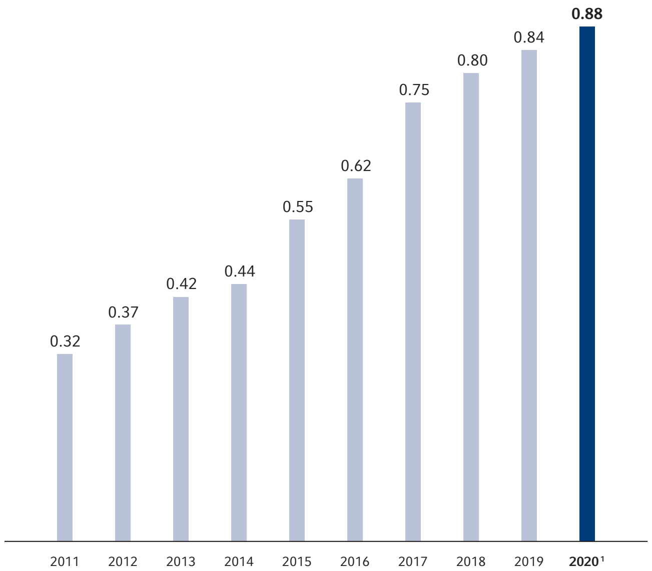
FRESENIUS SHARE IN €

KEY DATA OF THE FRESENIUS SHARE

	2020	2019	2018	2017	2016
Number of shares	**557,540,909**	557,379,979	556,225,154	554,710,473	547,208,371
Stock exchange quotation[1] in €					
High	**50.32**	52.42	70.94	79.65	74.26
Low	**25.66**	40.74	38.99	60.58	53.05
Year-end quotation	**37.84**	50.18	42.38	65.07	74.26
Market capitalization[2] in million €	**21,097**	27,969	23,573	36,095	40,636
Total dividend distribution in million €	**490.6[3]**	468.0	445.0	416.0	343.1
Dividend per share in €	**0.88[3]**	0.84	0.80	0.75	0.62
Earnings per share in €[4]	**3.22**	3.37	3.37	3.28	2.85

[1] Xetra closing price on the Frankfurt Stock Exchange
[2] Total number of ordinary shares multiplied by the respective Xetra year-end quotation on the Frankfurt Stock Exchange
[3] Proposal
[4] Net income attributable to shareholders of Fresenius SE & Co. KGaA; before special items

DEVELOPMENT OF DIVIDENDS IN €



¹ Proposal

If you would like to contact us or find out about our 2021 financial calendar, please take a look at the last page of this Annual Report. For additional information visit us at www.fresenius.com/investors.

DIVIDEND

Despite COVID-19, Fresenius' business development in 2020 was robust. For the 28th consecutive year, we are proposing to our shareholders to increase the dividend – by 5% per share, to €0.88 (2019: €0.84). The proposed dividend distribution to the shareholders of Fresenius SE & Co. KGaA will be €491 million, equivalent to 27% of Group net income. Based on the proposed dividend and the closing price at the end of 2020, the dividend yield is 2.3%.

SHAREHOLDER STRUCTURE

The charts opposite show the shareholder structure at the end of 2020. The Else Kröner-Fresenius-Stiftung was the largest shareholder of Fresenius SE & Co. KGaA, with 26.7% of the shares. According to notifications pursuant to the German Securities Trading Act (WpHG), Allianz Global Investors GmbH and BlackRock, Inc. each held below 5% of the shares. For further information on notifications, please visit www.fresenius.com/shareholder-structure.

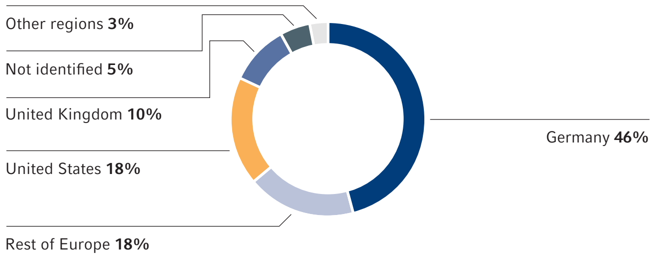
As of December 31, 2020, a shareholder survey identified the ownership of about 95% of our subscribed capital. The shareholder base of Fresenius is solid: a total of over 600 institutional investors held about 330 million shares or 60% (2019: 62%) of the subscribed capital; 46.1 million (2019: 29.9 million) shares were identified as retail holdings. The 10 largest investors held about 20% (2019: 23%) of the share capital. Our shares were mostly held by investors in Germany, the United States, and the United Kingdom.

ANALYST RECOMMENDATIONS

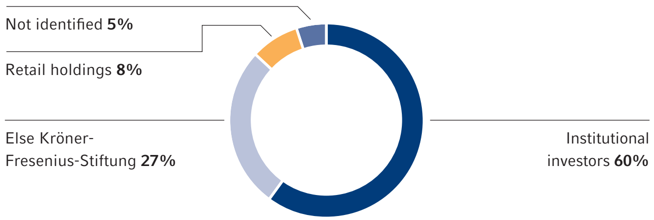
The recommendations published by financial analysts are an important guide for institutional and private investors when making investment decisions. According to our survey, as of February 18, 2021, we were rated with 14 "buy", 4 "hold", and 1 "sell" recommendations.

The list of banks that provide regular analyst coverage of Fresenius and their latest recommendations can be found at www.fresenius.com/analysts-and-consensus.

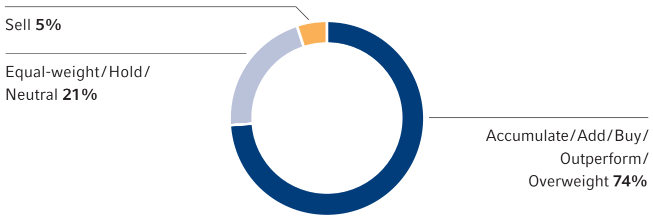
SHAREHOLDER STRUCTURE BY REGION



SHAREHOLDER STRUCTURE BY INVESTORS



ANALYST RECOMMENDATIONS



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2

GROUP MANAGEMENT REPORT. Fresenius has made major contributions to high-quality and affordable medical care worldwide during the COVID-19 pandemic. We stand by our patients – and live up to our social responsibility. Fresenius has proven to be economically robust and resilient in 2020.

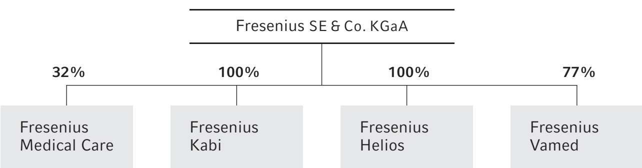
FUNDAMENTAL INFORMATION ABOUT THE GROUP

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 managed by the operating parent company Fresenius SE & Co. KGaA. The business segments are organized on a regional level and have a decentralized structure. There were no changes to the Group's business model in 2020.

GROUP STRUCTURE



- **Fresenius Medical Care** offers services and products for patients with chronic kidney failure. As of December 31, 2020, Fresenius Medical Care treated 346,553 patients at 4,092 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 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. The company comprises Helios Germany and Helios Spain (Quirónsalud). At the end of 2020, Helios Germany operated a total of 89 hospitals, around 130 outpatient clinics, and 6 prevention centers.

  In Spain, Quirónsalud operated 46 hospitals, 70 outpatient centers, and around 300 occupational risk prevention centers. In addition, Helios Spain is active in Latin America with 6 hospitals and as a provider of medical diagnostics.

- **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.

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 44% and North America with 41% 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 35%.

Fresenius Kabi is among the leading companies for large parts of its product portfolio in Europe and has significant market shares in the growth markets of Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading suppliers of generic IV drugs. Further information on the market position of Fresenius Kabi can be found in the market description on page 57 f.

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.

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 an important contribution combating the COVID-19 pandemic worldwide. Despite partial government compensation, COVID-19 had an overall negative effect on the 2020 financial figures, mainly due to restrictions imposed by the authorities in many of the Group's important markets.

Nevertheless, Fresenius has come through the COVID-19 pandemic in an economically robust manner. Once again, 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. For detailed information on our markets, please see pages 55 ff. We report on the impact of the COVID-19 pandemic on our business performance and on changes in reimbursement practices in the hospital business, respectively, on pages 58 ff.

The legal framework for the operating business of the Fresenius Group remained essentially unchanged in 2020.

Fluctuating exchange rates, particularly between the U.S. dollar and the euro, have an effect on the income statement and the balance sheet. In 2020, the average annual exchange rate between the U.S. dollar and the euro of 1.14 was above the 2019 rate of 1.12, and therefore had a negative currency translation effect on the income statement. Furthermore, negative currency translation effects on the income statement resulted, in particular, from the depreciation of Latin American currencies (especially the Argentinian peso and the Brazilian real) against the euro in 2020.

As a consequence of the macroeconomic downturn and increasing risk adjustment rates for certain countries in Latin America, Fresenius Medical Care reported an impairment of goodwill and tradenames in the Latin America segment.

In particular due to the exchange rate changes (from 1.12 U.S. dollars on December 31, 2019, to 1.23 U.S. dollars on December 31, 2020), the balance sheet total decreased by 1% (increased by 5% in constant currency).

In 2020, 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. Further information regarding legal matters can be found on pages 279 to 287 of the Notes.

We carefully monitor and evaluate country-specific, political, legal, and financial conditions. This also applies to the possible impact on our business resulting from the United Kingdom's decision to leave the European Union. We do not expect this to have any material impact on our business.

MANAGEMENT AND CONTROL

In the legal form of a KGaA, the Company's corporate bodies are the 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, 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. 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 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 calendar 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 members of the committees are listed on page 328 of this Annual Report. 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 on page 189 f. The declaration can also 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 on pages 199 ff. of this Annual Report. The Compensation Report is part of the Group's Management Report.

CAPITAL, SHAREHOLDERS, ARTICLES OF ASSOCIATION

The subscribed capital of Fresenius SE & Co. KGaA amounted to 557,540,909 ordinary shares as of December 31, 2020 (December 31, 2019: 557,379,979).

The shares of Fresenius SE & Co. KGaA are non-par-value 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 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, the following **Conditional Capitals** exist in accordance with the articles of association dated August 28, 2020:

- 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 €23,947,021.00 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, 2020.

As the **largest shareholder**, Else Kröner-Fresenius-Stiftung, Bad Homburg, Germany, informed the Company on December 22, 2020, that it held 148,685,702 ordinary shares of Fresenius SE & Co. KGaA. This corresponds to an equity interest of 26.7% as of December 31, 2020.

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 General Meeting.

Under certain circumstances, a **change of control** as the result of a takeover bid 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. People worldwide are not only living longer, the pace of population aging is also increasing significantly. Thus, countries around the world are facing major challenges with respect to their social and health systems. As the worldwide population ages, diminished well-being as well as chronically ill and critically ill patients are becoming a major global public health challenge[1]. 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 goal is to expand Fresenius' position as a leading global provider of products, services, and therapies for critically and chronically ill people. In line with our corporate purpose "Forward thinking health care to improve the quality of life of patients", Fresenius develops innovative, affordable, and profitable solutions for the megatrends of health and demographics. Our mission is to offer better medicine and better health care services to ever more people. Every business decision we make is consistently guided by the well-being of our patients. It is at the center of everything we do. At the same time, we want to grow profitably and use our capital efficiently.

We have set ourselves clear medium-term goals. Based on the key financial figures for 2019, Fresenius expects average annual organic sales growth (CAGR) in the range of 4% to 7% for the period 2020 to 2023. 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. Fresenius expects that small and mid-sized acquisitions will additionally increase the CAGR for both sales and net income by approximately 1% point. However, economic success is not an end in itself for Fresenius; it rather enables us to keep investing in better medicine.

We are living 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 an important contribution combating the pandemic worldwide. Our dialysis clinics and hospitals, for example, have taken extensive measures to ensure that patients receive the best possible care throughout their treatment. For essential drugs used for COVID-19 patients, we have committed ourselves to keeping prices stable – despite a significant increase in demand.

In our view, there is no need to adjust our strategy and goals due to the COVID-19 pandemic. On the contrary, our robust economic development in 2020 confirms our strategy. COVID-19 will even accelerate the implementation of some strategic goals, such as the further expansion of digital services. For example, a particular concern of patients during the pandemic was becoming infected in hospital. Through various digital solutions, we were able to address these and other concerns (see also separate Group Non-financial Report[4] p. 113 ff.).

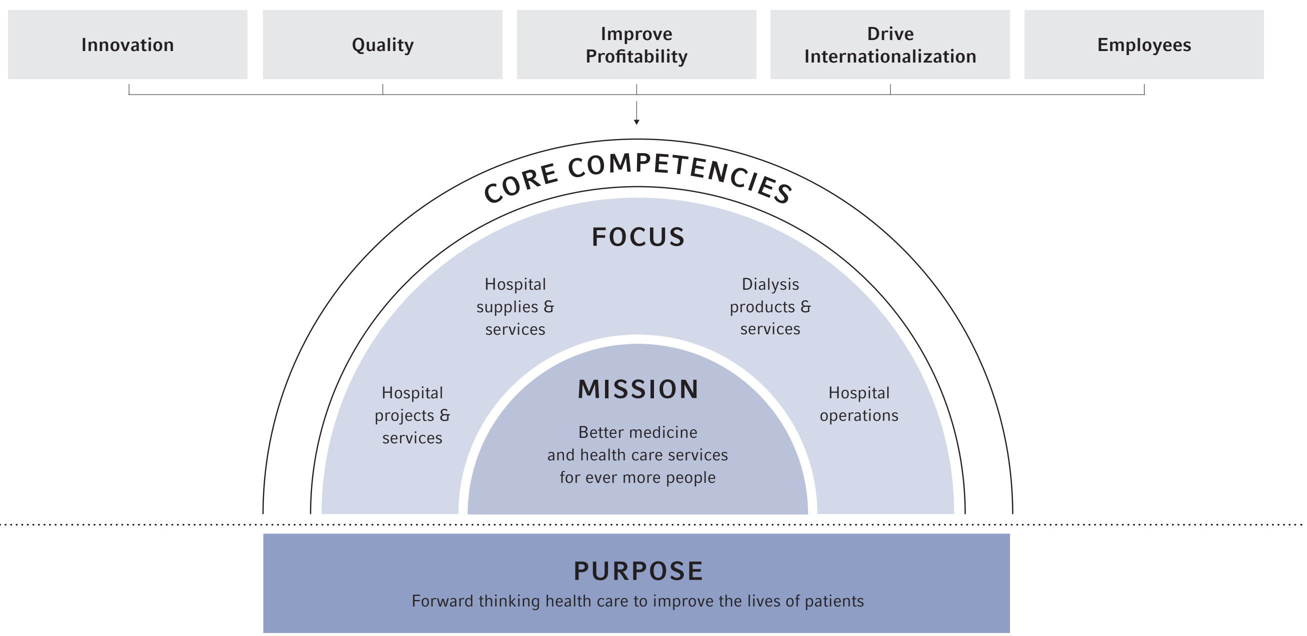
[1] WHO 2018: "Ageing and health"
[2] Net income attributable to the shareholders of Fresenius SE & Co. KGaA
[3] Before special items
[4] The separate Group Non-financial Report is not part of the audited Group Management Report. This also applies to all other references in the Group Management Report.

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. Fresenius has defined strategic priorities to pursue its goal to strengthen the position of the Company as a leading global provider of products, services, and therapies for critically and chronically ill patients:

- **Profit from megatrends**: gearing businesses towards the megatrends health and demographics
- **Create value**: long-term value creation by allocating capital to profitable growth areas
- **Act responsibly**: responsible and sustainable corporate governance as part of our corporate culture
- **Collaborate**: fostering intra-Group cooperation to leverage synergies

FRESENIUS STRATEGY



OUR CORE COMPETENCIES

QUALITY

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

For Fresenius Medical Care, patients' health as well as product safety mean creating a safe clinical environment. The quality and safety of its products and services are the foundation of Fresenius Medical Care's 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. Digitization 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 (see separate Group Non-financial Report p. 126 ff.).

Fresenius Medical Care will focus on creating the future of health care for chronically and critically ill patients across the renal care continuum. In 2020, Fresenius Medical Care strengthened its position in acute dialysis. The U.S. Food and Drug Administration (FDA) has cleared Novalung®, a heart and lung support system for the treatment of acute respiratory or cardiopulmonary failure. 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.

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 development of products for the treatment of oncology and autoimmune diseases, making affordable treatments accessible for even more patients. We were able to successfully continue all development projects in the reporting year.

Although some activities – such as the collaboration with internal and external stakeholders – could only take place virtually due to the COVID-19 pandemic, no relevant delays occurred in our development projects.

Fresenius Helios' goal is to foster knowledge sharing across its international hospital network and use innovation to develop the best health care services and therapies for its patients. In order to comprehensively drive forward digitization, 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. For all clinics in Germany, Fresenius Helios has set itself the goal of introducing additional medical data such as nursing care documentation and medication in the digital patient file by the end of 2022, and fully implementing the online patient portal across the network (see also separate Group Non-financial Report p. 126 ff.). Moreover, Fresenius Helios also focuses on health apps for chronically ill patients.

Due to the COVID-19 pandemic, there is an increasing demand for telemedical applications. The aim is to further expand this service in the health care facilities of Fresenius Helios. All Fresenius Helios health care facilities can already set up consultation sessions via video. Some of the hospitals already offer such video consultations on a regular basis (see separate Group Non-financial Report p. 128 f.). 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 digitization 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 (see p. 85).

To contain costs, we particularly concentrate on making our production plants more efficient, exploiting economies of scale, leveraging the existing marketing and distribution infrastructure more intensively, and practicing strict cost control.

Moreover, we foster intra-Group coordination and collaboration, and continue to identify specific measures that optimize our portfolio and make Fresenius an even more effective organization.

By focusing on our operating cash flow and employing efficient working capital management, we will increase our investment flexibility and improve our balance sheet ratios. Another goal is to optimize our weighted average cost of capital (WACC) by deliberately employing a balanced mix of equity and debt funding.

In the present capital market conditions, we believe we optimize our cost of capital if we hold the net debt/EBITDA[3] ratio within a range of 3.0x to 3.5x.

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 further expansion in dialysis care and products worldwide.

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 2020, the company continued to launch Idacio in several European countries and has received marketing authorization in selected countries in Latin America and Asia-Pacific, Israel and Canada. In addition, Fresenius Kabi is one of the most important providers of transfusion technology.

Fresenius Kabi plans to roll out products from its existing portfolio to the growth markets and to launch existing products in the United States. Market share is to be expanded further through the launch of new products in the fields of IV drugs, infusion therapy, clinical nutrition, biosimilars, and medical devices/transfusion technology.

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.

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.

Statements on market position according to company research
[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.

EMPLOYEES

The commitment of our more than 311,000 employees worldwide is key for the success and sustained growth of Fresenius. We firmly believe in a culture of diversity, as we are convinced that different perspectives, opinions, experiences, and values enable Fresenius to continue successfully growing as a global health care company. To tackle the upcoming challenges, attracting new employees is key for the growth of our company. We regularly participate in recruiting events and career fairs to attract new talent, and invite our management to meet future Fresenius employees at "Meet the Board". Not only do we try to attract new talent, we also want to retain and develop our people at Fresenius. We offer a variety of flexible working-time models and incentive programs to ensure that our long-term needs for highly qualified employees are met. Furthermore, we offer our employees opportunities to develop their careers in an international and dynamic environment.

CORPORATE PERFORMANCE CRITERIA

The Management Board makes operational and strategic management decisions based on our Group-wide performance indicators for growth, profitability, liquidity, capital efficiency, and capital management. The most important financial performance indicators for us are explained below and a definition is provided in the glossary of financial terms on pages 331 to 334. There were no changes in the financial performance indicators compared to 2019. There were also no changes in the financial performance indicators of the Fresenius Group due to COVID-19.

FINANCIAL PERFORMANCE INDICATORS

Growth	Profitability	Liquidity	Capital efficiency	Capital management
Sales growth (in constant currency) **Sales growth** (organic)	**Operating income (EBIT)** +/- Financial result - Income taxes - Minority interests **= Net income** **EBIT growth** (in constant currency) **Net income growth** (in constant currency)	Operating cash flow ÷ Sales **= Cash flow margin**	EBIT - Income taxes = NOPAT ÷ Invested capital **= ROIC** EBIT ÷ Operating assets **= ROOA**	Net debt ÷ EBITDA **= Leverage ratio**

The key figures for the financial performance indicators for 2021 of the Group and the business segments can be found in the outlook on pages 85 f.

GROWTH

In line with our growth strategy, sales growth (in constant currency) of the Group and, in our business segments, organic sales growth in particular are of central importance. Fresenius has set itself medium-term growth targets. Based on the 2019 financial results, Group sales are projected to grow organically with a compounded annual growth rate (CAGR) of 4% to 7% in the timeframe 2020 to 2023. Small and medium-sized acquisitions are expected to contribute an incremental CAGR of approx. 1% point (see outlook, page 85).

PROFITABILITY

We use earnings before interest and taxes (EBIT) and EBIT growth (in constant currency) to measure the profitability of the business segments. At Group level, we primarily use net income and net income growth (in constant currency). In order to be able to better compare the operating performance over several periods, the results are adjusted by special items if necessary. Fresenius has set itself medium-term growth targets. Based on the 2019 financial results, Group net income is projected to grow organically with a compounded annual growth rate (CAGR)[1,2] of 5% to 9% in the timeframe 2020 to 2023. Small and medium-sized acquisitions are expected to contribute an incremental CAGR of approx. 1% point (see outlook, page 85).

[1] Net income attributable to the shareholders of Fresenius SE & Co. KGaA
[2] Before special items

LIQUIDITY

At the corporate level, cash flow margin is used as the main liquidity indicator (see outlook, page 87). In order to further analyze and optimize the contributions of our business segments to operating cash flow, we also use the additional performance indicators DSO[1] (days sales outstanding) and SOI[1] (scope of inventory). These show the amount of receivables or inventories in relation to the sales or costs of the services rendered during the past reporting period. Further information on our cash management system can be found in the risk report on pages 98 ff.

CAPITAL EFFICIENCY

We work as profitably and efficiently as possible with the capital provided to us by shareholders and lenders. In order to manage this, we primarily calculate the return on invested capital (ROIC)[2] and the return on operating assets (ROOA)[2] (see outlook, page 87). An overview of the return ratios by segment can be found in the Group Management Report on page 79.

CAPITAL MANAGEMENT

We use the ratio of net debt and EBITDA as the key parameter for managing the capital structure. This measure indicates the degree to which a company is able to meet its payment obligations. Our business segments usually hold leading positions in growing and mostly non-cyclical markets. Since the majority of our customers are of high credit quality, they generate mainly stable, predictable cash flows. According to the management assessment, the Group is therefore able to use debt to finance its growth to a greater extent than companies in other industries. Our self-imposed target corridor for the leverage ratio is 3.0x to 3.5x.

INVESTMENT AND ACQUISITION PROCESS

Our investments and acquisitions are carried out using a detailed coordination and evaluation process. As a first step, the Management Board sets the Group's investment targets and the budget based on investment proposals. In the next step, the respective business segments and the internal Acquisition & Investment Council (AIC) determine the proposed projects and measures, taking into account the overall strategy, the total investment budget, and the required and potential return on investment. We evaluate investment projects based on commonly used methods, such as internal rate of return (IRR) and net present value (NPV). Within the framework of the due diligence process, opportunities and risks associated with the potential acquisition target are analyzed and assessed. In addition to reviewing the business model, key financial figures and tax issues, and the resulting company valuation, this also includes a comprehensive analysis of the market and competitive environment, regulatory framework conditions, and legal aspects. Furthermore, the assessment also implies various issues relating to compliance, production, research & development, quality, information technology, human resources, and the environment. Based on investment volume, a project is submitted for approval to the executive committees or respective managements of the business segments, to the Management Board of Fresenius Management SE, and/or its Supervisory Board.

You can also find more details on our key performance indicators in our interactive tool[3] on our website at www.fresenius.com/interactive-tool.

[1] Does not reflect a core performance indicator
[2] For a detailed calculation of ROIC and ROOA please see page 334
[3] Not part of the audited management report

GROUP [1]

	Targets 2020 [2]	2020	2019	2018	2017	2016
Sales growth (in constant currency)	**+3 to +6%**	**5%**	6%	6%	16%	6%
Net income [3] growth (in constant currency)	**-4% to +1%**	**-3%**	0%	7%	21%	13%
Liquidity and capital management						
Cash flow margin	**12% to 14%**	**18.1%**	12.0%/9.9% [4]	11.2%	11.6%	12.2%
Net debt/EBITDA [5]	**Around the top-end of 3.0x to 3.5x** [6]	**3.44x**	3.61x/3.14x [4]	2.71x	2.84x	2.33x
Capital efficiency						
Return on invested capital (ROIC) [7]	**At 2019 level**	**6.5%**	6.7%/7.4% [4]	8.3%	8.0%	8.5%
Return on operating assets (ROOA) [7]	**At 2019 level**	**7.3%**	7.6%/8.2% [4]	9.0%	9.4%	10.0%

BUSINESS SEGMENTS [1]

	Targets 2020 [2]	2020	2019	2018	2017	2016
Fresenius Medical Care						
Sales growth (in constant currency)	**Mid-to-high single-digit % range**	**5%**	5%	4%	9%	7%
Net income growth [8,9] (in constant currency)	**Mid-to-high single-digit % range**	**12%**	-2%	4%	7%	16%
Fresenius Kabi						
Sales growth (organic)	**+2% to +5%**	**4%**	4%	7%	7%	5%
EBIT growth (in constant currency)	**-6% to -3%**	**-6%**	3%	2%	8%	5%
Fresenius Helios						
Sales growth (organic)	**+1% to +4%**	**4%**	5%	3%	4%	4%
EBIT growth (in constant currency)	**Broadly stable**	**0%**	-4%	0%	54%	7%
Fresenius Vamed						
Sales growth (organic)	**~ -10%**	**-8%**	16%	16%	6%	5%
EBIT growth (in constant currency)	**Positive absolute EBIT**	**+€29 million**	19%	45%	10%	8%

[1] Growth rates are based on the assumptions of the respective annual forecasts and are adjusted for special items and, if applicable, other effects affecting the underlying growth (adjustments to new accounting standards, acquisitions/divestments, acquisition costs, or cost-saving programs).
[2] Including expected COVID-19 effects (updated October 2020)
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[4] Excluding IFRS 16 effect
[5] Both net debt and EBITDA calculated at LTM average exchange rates; before special items, pro forma closed acquisitions/divestitures
[6] Around the top-end of the self-imposed target range of 3.0x to 3.5x; excluding further potential acquisitions
[7] Before special items, pro forma acquisitions
[8] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[9] Special items are effects (when consolidated at the Fresenius Group: special items), that are unusual in nature and were not foreseeable or not foreseeable in size or impact at the time of giving guidance.

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.

The effects of the COVID-19 pandemic did not have a significant impact on our research and development activities in 2020.

Research and development **expenses**[1] were €748 million (2019: €677 million), approximately 7.2% of our product sales (2019: 6.8%). Research services provided by third parties are mainly used by Fresenius Kabi, especially in the field of biosimilars. Detailed figures are provided on page 249.

As of December 31, 2020, there were 3,565 employees in research and development (2019: 3,412). Of that number, 1,262 were employed at Fresenius Medical Care (2019: 1,200) and 2,288 at Fresenius Kabi (2019: 2,200).

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

FRESENIUS MEDICAL CARE

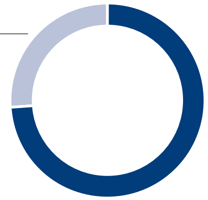
Our aim is to continuously improve our patients' quality of life and the outcomes of their treatment. To this end, we are not only working on new products that are close to market launch, but also on an extensive portfolio of innovation projects. These focus on technologies in our core business as well as related areas of strategic interest.

We intend to deliver innovative, competitive products and strengthen our focus on developing countries.

In addition to research and development activities within our company, we collaborate with external partners with the aim of building a comprehensive innovation and technology network. These partners include numerous academic institutions, such as research institutes at prestigious universities in the United States. Another is the Renal Research Institute (RRI) in New York. This subsidiary of Fresenius Medical Care North America is a renowned institution in the field of clinical research into all aspects of chronic kidney failure. Together, we are working on fundamental issues relating to renal therapies. We are also increasingly collaborating with start-ups with the objective of promoting innovation and enabling access to the latest technologies.

The COVID-19 pandemic had no major influence on our R&D activities. In 2020, we continued with our research and development work.

R & D EXPENSES BY SEGMENT[1]



2020: €748 million

[1] Before revaluations of biosimilars contingent purchase price liabilities

KEY FIGURES RESEARCH AND DEVELOPMENT

	2020	2019	2018	2017	2016
R & D expenses, € in millions[1]	**748**	677	649	538	515
as % of product sales[1,2]	**7.2**	6.8	6.7	5.7	5.5
R & D employees	**3,565**	3,412	3,042	2,772	2,770

[1] 2020, 2019, and 2018 before revaluations of biosimilars contingent purchase price liabilities
[2] 2016, 2018, and 2019 excluding impairment losses from capitalized in-process R & D activities

[1] Before revaluations of biosimilars contingent purchase price liabilities

Our Optiflux Enexa F500 with Endexo technology is a new dialyzer designed to support the treatment of patients without the need for heparin. Endexo is a surface-modifying polymer that is added to the dialyzer during manufacturing. It makes the surface of the membrane less thrombogenic, so that the blood is less likely to clot. The Optiflux Enexa F500 was recently given FDA 510(k) clearance and has therefore passed a key hurdle prior to market launch. It is now in the last stage of development before being marketed in the United States.

For many patients, peritoneal dialysis is the dialysis treatment modality of choice and the gentlest option during the first years of renal replacement therapy. The new SILENCIA® Automated Peritoneal Dialysis (APD) therapy system, due to be launched in 2021, promises cost-effective, state-of-the-art dialysis quality for peritoneal dialysis patients, especially in emerging markets. The robust, functional design of the cycler ensures quick setup and easy operation. It allows silent and reliable treatment at night while the patient sleeps.

FRESENIUS KABI

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, and production technology. In the area of biosimilars, we have specialized in the development of products for the treatment of oncology and autoimmune diseases.

We were able to successfully continue all development projects in the reporting year. Although some activities – such as the collaboration with internal and external stakeholders – could only take place virtually due to the COVID-19 pandemic, no relevant delays occurred in our development projects.

In the area of generic **IV drugs**, we are continuously expanding our product portfolio and especially focus our activities on launching new generic drug formulations directly after the patents of the branded products expire. In the reporting year, we have launched the first generic version of the antifungal drug Micafungin on the U.S. market, in line with a patent agreement with the originator of the original drug. In addition, we have worked on the continuous improvement of IV drugs that are already available on the market, such as new formulations and dosage forms, as well as primary packaging. Moreover, we have worked on more than 100 generics projects in 2020. Our activities here included complex formulations such as active ingredients in liposomal[1] solutions and product improvements that bring added value to both medical staff and patients. Thus, we develop ready-to-use products that are especially convenient and safe and help to prevent application errors in day-to-day medical care. Our respective product portfolio includes ready-to-use solutions in our freeflex infusion bags and pre-filled syringes. Drugs in pre-filled syringes are easier and safer to use than traditional applications. In the reporting year, we introduced several products in pre-filled syringes, including the neuroleptic drug Haloperidol Lactat, which we launched on the U.S. market.

In the **area of biosimilars**, we have a pipeline of molecules at different stages of development focusing on oncology and autoimmune diseases. A biosimilar is a biological product that is highly similar to the "reference product", another already-approved biological product. The biosimilar product is the equivalent of the reference product in terms of effectiveness and safety.

We apply the same high-quality standards in development and production of our biosimilar products as are required for the reference product. With our biosimilars, we provide access to affordable, lifesaving medicines to more patients around the world.

In the reporting year, we continued our development activities in the areas of autoimmune and oncology diseases,

[1] Liposomes are tiny capsules filled with drugs. They allow for targeted transportation of active ingredients to the locations where they are needed within an organism.

and we opened a dedicated, state-of-the-art research and innovation center in Eysins, Switzerland, in September 2019.

Our first biosimilar, Idacio – an adalimumab [1] biosimilar, which can be used for chronic inflammatory diseases such as rheumatoid arthritis, Crohn's disease, and psoriasis (skin disease) – was already launched in numerous European countries in 2019. In the reporting year, we worked on additional approvals of Idacio: we received the marketing authorization for several countries in Latin America and Asia-Pacific, as well as for Israel and Canada, and prepared the market launches.

The clinical development of MSB 11455, a biosimilar candidate of pegfilgrastim [2], was successfully finalized, and the submissions for marketing authorization are under review and approval by the European Medicines Agency and U.S. Food and Drug Administration (FDA). MSB 11455 is a molecule that stimulates the growth of specific white blood cells. These blood cells are essential for fighting infections, which are a frequent side effect of cancer patients receiving chemotherapy.

MSB 11456 [3] is a biosimilar candidate of tocilizumab, which is used, among other things, in rheumatoid arthritis.

The clinical trial for MSB 11456, which was conducted with healthy volunteer test subjects, reached its primary endpoint in 2019, showing bioequivalence with all pharmacokinetic parameters. The pivotal safety and efficacy clinical trial with rheumatoid arthritis patients was started in several countries in 2020.

Clinical nutrition provides nutrition for patients who cannot nourish themselves at all or sufficiently with regular food. This includes, for example, patients in intensive care and those who are seriously or chronically ill or malnourished. If clinical nutrition is applied early and in accordance with therapeutic needs, malnutrition and its consequences can be avoided.

In the product segment of **parenteral nutrition**, we focus our research and development activities on products that significantly contribute to improving clinical treatment and the nutritional condition of patients, as well as on containers such as our multi-chamber bags that are safe and easy to use in daily health care practice.

In addition to our own development activities, Fresenius Kabi also supports external development projects that contribute to improving the nutritional care of critically ill patients. In 2019, we started the funding program "Jumpstart": with this program, we support the research work of young scientists in the area of parenteral nutrition for critically ill patients and enable them to receive a research prize to support their work. An independent jury, consisting of internationally renowned scientists in the area of clinical nutrition, is responsible for selecting the fellowship holders. In the reporting year, we continued the funding program and announced another research prize, which will be awarded in 2021.

In 2020, we continued the development work in the area of parenteral products. We focus on formulations that are tailored to the needs of individual patient groups. In addition to our global development projects, we are working on parenteral nutrition products for specific markets such as the United States, China, and Europe.

One main focus is placed on the use of fish oil in parenteral nutrition. Parenteral nutrition with fish oil has numerous positive effects on important biological functions, including the modulation of the immune and inflammatory response. Using fish oil in parenteral nutrition products contributes to improving clinical results such as infection or sepsis rates, or the duration of ICU and hospital stays in general. This was confirmed in the reporting year by an international panel of leading experts for clinical nutrition, lipid metabolism, and pharmacology within the framework of a consensus recommendation; the recommendation includes guidelines on the use of fish oil-containing lipid emulsions in clinical practice.

In **enteral nutrition**, we focus our research and development activities on product concepts that support therapeutic compliance and thus the success of therapy.

[1] Idacio is a biosimilar of Humira® and has not yet been approved by all relevant health authorities. Humira® (adalimumab) is a registered trademark of AbbVie Biotechnology Ltd.
[2] MSB 11455 is a biosimilar candidate of Neulasta® and has not yet been approved by the relevant health authorities. Neulasta® (pegfilgrastim) is a registered trademark of Amgen Inc.
[3] MSB 11456 is a tocilizumab biosimilar candidate and has not yet been approved by the relevant health authorities. Actemra®/RoActemra® (tocilizumab) are registered trademarks of Chugai Seiyaku Kabushiki Kaisha.

This includes, for example, the development of products with a larger variety of flavors to provide users with variations and support them optimally in implementing the necessary nutrition therapy. A special focus of our work is placed on the development of products with a higher concentration of nutrients to facilitate the complete intake of the necessary amount of nutrients in low volumes for the user. In addition to global product developments, we are working on product developments for specific market requirements. The focus is placed on products for markets with high growth potential in Asia, especially China.

In the area of **infusion solutions**, we are continuously working on new primary containers and already introduced containers to further increase their efficiency and safety in daily hospital routine and facilitate their use. In the reporting year, we continued, for example, to further advance the development of our freeflex+ infusion bag with a needle-free injection port. With this product, we want to contribute to reducing the risk of potential injuries in daily hospital routine. Moreover, we are continuously working on the expansion of our product offering, which we want to launch on a global basis, as well as on products that allow us to further tap into the U.S. market.

In the area of **medical devices**, we focus on developing new products as well as on further developing our existing portfolio. Particularly in the field of infusion technology, new software connections can contribute to facilitating daily hospital practice. In the reporting year, we have, for example, continued the development work on our Vigilant Software Suite and supported international market launches; this included the localization of the software and all technical documents in the respective local languages, local regulatory measures, and supporting the installation of the devices in hospitals. With the Vigilant Software Suite, all software solutions used by hospitals in combination with our infusion pump system Agilia Connect can be combined into one therapy information system, thus creating more data and license security.

In addition, we have continued the development work on a new infusion management system in the reporting year. This system is equipped with a modern operating concept and will enable new therapy and treatment procedures in the intensive care unit and operating room.

In the research and development of our **transfusion technology** business, we are working intensively on products for use in cell therapy; our focus is placed on product developments for automated washing and concentration of cell concentrates. These products are used in the CAR-T cell[1] and similar cell therapies. In 2020, our focus was placed on the finalization of the CUE cell processing device. This device has been specifically developed for smaller filling quantities and end-use applications in the area of cell therapies. It will complement our LOVO[1] cell processing system, which is already available on the market. We will launch CUE in 2021.

In the area of extracorporeal photopheresis (ECP), we continue to place our focus on the introduction of the Amicus Blue system and the corresponding Phelix light box in Europe, as well as on further developing an ECP application method, which only requires one vascular access. With this treatment method, specific blood cells are extracorporeally treated with ultraviolet light (phototherapy). This method is used for the treatment of different immunological diseases to, for example, kill malignant immune cells (lymphocytes) outside of the body.

Another focus area is continuously further developing our devices and the corresponding data management software; this includes our transfusion technology devices for plasma (Aurora/Aurora Xi), blood processing (CompoMat G5 Plus), and blood platelets (Amicus/AmiCORE).

[1] For more information, see glossary on page 331.

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** increased by 6% to 311,269 employees at the end of 2020.

Personnel expenses for the Fresenius Group were €15,128 million in 2020 (2019: €14,355 million), equivalent to 41.7% of sales (2019: 40.5%). Personnel expenses are above the previous year's level. Personnel expenses per employee, based on the average number of employees, were at €49.5 thousand (2019: €49.5 thousand) and at €50.3 thousand in constant currency. In Germany, Fresenius companies have signed tariff agreements with IG BCE, Marburger Bund, and ver.di (labor union for services). There were no significant structural changes to compensation or employment agreements in 2020.

PERSONNEL EXPENDITURE

€ in millions	2020	2019	2018
Fresenius Medical Care	**7,067**	6,800	6,440
Fresenius Kabi	**1,809**	1,754	1,506
Fresenius Helios	**5,270**	4,878	4,815
Fresenius Vamed	**815**	774	545
Corporate/Others	**166**	149	120
Total	**15,128**	14,355	13,426

HUMAN RESOURCES MANAGEMENT

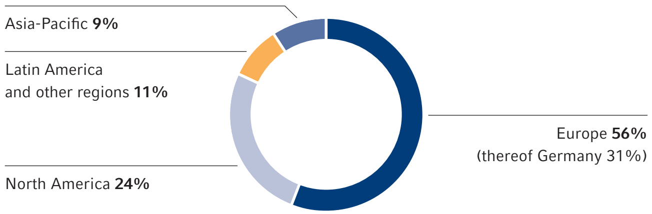
We are constantly adapting our human resources tools to meet new requirements arising from demographics, the transformation to a service economy, the shortage of skilled workers, and employees' desire to better balance family and career. For example, we offer flexible working hours. Further information can be found in our separate Group Non-financial Report on pages 133 ff.

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.

EMPLOYEES BY REGION



2020: 311,269

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. As of December 31,

NUMBER OF EMPLOYEES

	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Change 2020/2019	% of total as of Dec. 31, 2020
Fresenius Medical Care	**133,129**	128,300	120,328	4%	43%
Fresenius Kabi	**40,519**	39,627	37,843	2%	13%
Fresenius Helios	**116,952**	106,377	100,144	10%	38%
Fresenius Vamed	**19,414**	18,592	17,299	4%	6%
Corporate/Other	**1,255**	1,238	1,136	1%	0%
Total	**311,269**	294,134	276,750	6%	100%

2020, the proportion of female employees within the Fresenius Group was 68 %. Women also held approximately 32 % of senior management positions, based on the number of worldwide participants in the Long Term Incentive Plan 2018 (LTIP 2018).

Detailed information on the statutory targets for the participation of women and men in management positions is available within the Corporate Governance Declaration pursuant to Section 315d and Section 289f of the German Commercial Code (HGB) on our website, see www.fresenius.com/corporate-governance.

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

Further information on employment management can be found in our separate Group Non-financial Report on pages 133 ff. of our Annual Report.

CHANGES TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD

The Supervisory Board of Fresenius Management SE has unanimously decided that Wolfgang Kirsch (65) should become Chairman of the Supervisory Board of Fresenius Management SE. Wolfgang Kirsch will also stand for election to the Supervisory Board of Fresenius SE & Co. KGaA at the Annual General Meeting in May 2021. In these two functions, Wolfgang Kirsch will succeed Dr. Gerd Krick (82), who will not stand for re-election at the end of his term of office and will therefore retire from both supervisory bodies at the end of the Annual General Meeting in May 2021.

Dr. Gerd Krick is to be appointed Honorary Chairman of both Supervisory Boards in recognition of his decades of service to Fresenius.

Michael Sen (51) will also be elected to the Supervisory Boards of Fresenius Management SE and Fresenius SE & Co. KGaA with the aim of becoming Chairman of the Audit Committee. Klaus-Peter Müller (76) will retire from the committees on a rotational basis.

In addition, the Supervisory Board of Fresenius Management SE has unanimously decided to appoint Stephan Sturm (57) as Chairman of the Management Board of Fresenius for another five years. Stephan Sturm has held this position since July 1, 2016. Prior to this, he was Chief Financial Officer of the Company for eleven and a half years.

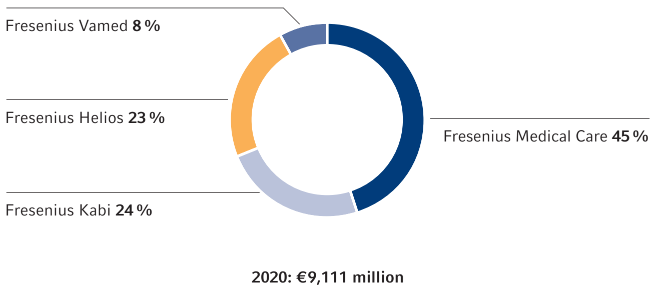
The Supervisory Board of Fresenius Management SE has decided to appoint Dr. Sebastian Biedenkopf (56) as the new Fresenius Management Board member responsible for Legal Affairs, Compliance, and Human Resources, as well as Labor Relations Director, effective December 1, 2020. He succeeds Dr. Jürgen Götz, who left the company at his own request on June 30, 2020.

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.

PROCUREMENT

In 2020, the cost of raw materials and supplies and of purchased components and services was €9,111 million (2019: €9,073 million). An efficient value chain is important for our profitability. In an environment characterized by ongoing cost-containment pressure from health insurers, as well as price pressure, security and quality of supply play an important role. Within each business segment of the Fresenius Group, procurement processes are coordinated centrally, enabling us to bundle similar requirements, negotiate global framework agreements, constantly monitor market and price trends, and ensure the safety and quality of materials.

COST OF MATERIAL BY BUSINESS SEGMENT[1]



[1] Before consolidation

€ in millions	2020	2019
Cost of raw materials and supplies	**7,624**	7,545
Write-downs of raw materials, supplies, and purchased components	**0**	0
Cost of purchased components and services	**1,487**	1,528
Total	**9,111**	9,073

Further information on supply chain at Fresenius can be found in our Opportunities and Risk Report on page 96 and in our separate Group Non-financial Report on pages 167 ff. of our Annual Report.

QUALITY MANAGEMENT

The quality of our products, services, and therapies is the basis for optimal medical care. All processes are subject to the highest quality and safety standards, for the benefit of the patients and to protect our employees. Our quality management has the following three main objectives:

- to identify value-enhancing processes oriented toward efficiency and the needs of our customers
- to monitor and manage these processes on the basis of performance indicators
- to improve procedures

Further information on quality management at Fresenius can be found in our Opportunities and Risk Report on page 95 f. as well as our separate Group Non-financial Report on page 115 of our Annual Report.

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.

Further information on our sustainability management can be found in our separate Group Non-financial Report on pages 106 ff. of our Annual Report.

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 8.8% of GDP in the OECD countries in 2019, with an average of US$4,224 spent per capita. As in previous years, the United States had the highest per capita spending (US$11,072). Germany ranked fourth among the OECD countries with US$6,646.

In Germany, 85% of **health spending** was funded by public sources in 2019, 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 2018, 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 2020, the **global dialysis market** (products and services) was worth approximately €82 billion.

Worldwide, approximately 4.5 million **patients with chronic renal failure** were treated in 2020. Of these patients, around 3.7 million received dialysis treatments and about 823,000 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.

HEALTH CARE SPENDING AS % OF GDP

in %	2019	2010	2000	1990	1980	1970
United States	17.0	16.4	12.5	11.3	8.2	6.2
France	11.2	11.2	9.5	8.0	6.7	5.2
Germany	11.7	11.0	9.8	8.0	8.1	5.7
Switzerland	12.1	10.7	9.8	7.9	6.6	4.9
Spain	9.0	9.0	6.8	6.1	5.0	3.1
China	5.0	4.4	4.5	-	-	-

Source: Latest available data from OECD Health Data 2020; data on the dialysis market is based on company research, Database for China 2016.

The **number of dialysis patients** worldwide increased by around 3% in 2020.

While the pandemic has not sustainably affected the fundamental development in the number of new patients starting dialysis, excess mortality of dialysis patients significantly accelerated in the U.S. and in EMEA.

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 2020, the **global dialysis care market** (including renal pharmaceuticals) was worth around €67 billion.

About 9% of worldwide dialysis patients were treated by Fresenius Medical Care. With 4,092 dialysis clinics and more than 346,000 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 38% of dialysis patients in 2020. 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 expenses related to surge capacity for dialysis patients suspected or confirmed to have COVID-19. Fresenius Medical Care North America collaborates with DaVita Inc. and other dialysis providers, who aim to support the broader kidney care community in the United States by offering isolation capacity for dialysis patients who are or may be COVID-19-positive.

By further driving our efficiency measures and with governmental support, in particular in the U.S., we managed to almost compensate the financial effects of COVID-19 in 2020.

Dialysis products

In 2020, 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 35%.

Fresenius Medical Care is the leading supplier worldwide of hemodialysis products, with a market share of 40%, 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. In 2020, Fresenius Medical Care accelerated the work on the new production line at the St. Wendel plant in response to higher demand caused by the COVID-19 pandemic. Hence, Fresenius Medical Care was able to put the new production line into operation several months ahead of schedule.

Renal care continuum, critical care solutions, and complementary assets

As part of the next level of our strategy 2025, we intend to go a step further 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.

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 1.6 million 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, clinical nutrition, infusion therapy, and medical devices/transfusion technology was worth about €105 billion in 2020.

Thereof, the global **market for generic IV drugs** was worth about €38 billion[2]. 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 global market for generic IV drugs remained at a stable level, adjusting in response to changes in demand during the COVID-19 pandemic. Competitors in the market for generic IV drugs include Pfizer, Sanofi, Sandoz, Viatris, and Hikma.

The relevant market for the targeted original **biopharmaceuticals**, all in the therapeutic areas of oncology and autoimmune diseases, is worth about €46 billion and grew by 6%.

In 2020, the global market for **clinical nutrition** was worth about €10 billion. In Europe, the market grew by about 3%. Higher growth rates were experienced in the emerging markets. For example, the clinical nutrition market in Latin America showed strong growth of 10%.

[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.

Similarly strong growth of 9% was achieved in Asia-Pacific, while the African clinical nutrition market grew by 7%.

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 companies worldwide.

In parenteral nutrition, the company is the market leader 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 2020, Fresenius Kabi considers its global market for **infusion therapy** to have been worth about €5 billion, slightly below the previous year's level. Affected by postponed or canceled elective surgeries due to the COVID-19 pandemic and the reduced demand for blood volume substitutes in Asia-Pacific, the total market showed a slight decline in 2020. This could not be fully compensated by the increasing product demand in emerging markets in general. In Europe and the United States, the market for infusion therapies remained rather stable. Fresenius Kabi is the market leader in infusion therapy in Europe and Latin America. Competitors in the market for infusion therapies include B. Braun and Baxter.

In 2020, the global market for **medical devices** was worth about €4 billion and grew by 5%. 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 in the market for medical devices include Baxter, B. Braun, and Becton, Dickinson and Company, as well as ICU Medical.

In 2020, the global market for **transfusion technology** was worth about €3 billion, which is at the previous year's level. The COVID-19 pandemic also had an impact on market demand in this product segment. The postponement of operations negatively impacted the need for blood bags and autotransfusion treatments, while the significant decrease in blood and plasma donations also had a negative impact on the demand for blood bags and, above all, plasma disposables.

The pandemic had a slightly positive impact on the demand for convalescent plasma. A possible therapy option for some COVID-19 patients is based on the use of plasma (blood component) from recovered patients. This treatment involves the collection of plasma containing antibodies from recovered COVID-19 patients. After donation and further processing, the antibody-enriched plasma is administered to ill COVID-19 patients. This process is made possible by devices from our portfolio such as Aurora and Alyx.

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

THE HOSPITAL MARKET [1]

The market volume for acute care hospitals in Germany in 2018 was around €105 billion[2], as defined by total costs (gross). Personnel costs accounted for around 61% of this total and material costs for 38%, each of which increased by around 4%.

Admissions in the acute care hospital market in 2018 were roughly on the previous year's level.

With a share of sales of around 6.0%[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, Rhön-Klinikum, and Sana Kliniken.

The economic situation of German hospitals worsened compared with the previous year. Around 47% expect losses in 2020. 24% project to break even and just 29% expect to be able to generate a profit for the year. In 2019, approximately 46% of the hospitals recorded a profit

[1] In each case, the most recent market data available refers to the year 2018 as no more recent data has been published: German Federal Statistical Office, 2018 data; German Hospital Institute (DKI), Krankenhaus Barometer 2020
[2] The market is defined by total costs of the German acute care hospitals (gross), less academic research and teaching.
[3] Measured by 2020 sales in relation to gross total costs of acute care hospitals minus scientific research and teaching in Germany (latest available data: Federal Statistical Office, 2018 data)

and approximately 44% reported a loss. One reason for the further deterioration of the economic situation in 2020 was the COVID-19-related loss of revenues among the hospitals.

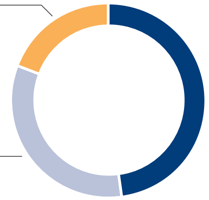
In addition to the often difficult economic and financial situation, there is an enormous need for capital expenditure due to medical and technological advances, higher quality requirements, and necessary modernizations, as well as investments in digitalization. Moreover, the federal states have in the past failed to meet their statutory obligation to provide sufficient financial resources. This results in a continually increasing investment backlog. The German Hospital Institute (DKI)[1] estimates that the annual investment requirement at German hospitals is at least €6.5 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 2020, it was 3.66% (2019: 2.65%).

Due to the COVID-19 pandemic, in spring 2020, hospitals in Germany were asked to suspend scheduled surgery and new admissions in order to reserve capacity for COVID-19 patients. This resulted in lost revenues and additional costs. In order to provide financial support for hospitals, the German parliament (Bundestag) passed the law to ease the financial burden on hospitals (Krankenhaus-Rettungsschirm) in March 2020. Among other things, the law provided for a compensation payment of €560 for each reserved bed per day of occupancy as well as a co-investment for each newly created intensive care treatment unit with artificial respiration. Nursing costs and additional costs for personal protective equipment were also financed on a flat-rate basis. In July 2020, the uniform compensation per reserved bed was replaced by a differentiated flat-rate amount, based on the actual revenue losses of the individual hospitals. The flat rate varied between €360 and €760. The regulations governing the law to ease the financial burden on hospitals were valid until September 30, 2020.

A follow-up regulation came into force with the Third Law of Protection of the Population in an Epidemical Situation of National Dimension as well as the Hospital Future Act (Krankenhauszukunftsgesetz – KHZG). Under this act, the local infection rates and the utilization rates of the hospitals' wards were decisive for receiving financial aid. This rule ceased to apply on February 28, 2021. A draft bill stipulates, however, that the rule endures until April 11, 2021 in an unchanged form. The KHZG also provides for compensation payments to mitigate COVID-19-related revenue losses and additional costs. The revenues generated

HOSPITAL BEDS BY OPERATOR



Source: German Federal Statistical Office, 2018 data

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2018	2017	2010	2000	1991	Change 2018/2017
Hospitals	**1,925**	1,942	2,064	2,242	2,411	-0.9%
Beds	**498,192**	497,182	502,749	559,651	665,565	0.2%
Length of stay (days)	**7.2**	7.3	7.9	9.7	14.0	-1.4%
Number of admissions (millions)	**19.39**	19.44	18.03	17.26	14.58	-0.3%
Average costs per admission in €[1]	**5,615**	5,439	4,432	3,216	2,930	3.2%

[1] Total costs, gross

Source: German Federal Statistical Office, 2018 data

[1] German Hospital Institute (DKI), Krankenhaus Barometer 2020

by the individual hospitals in 2019 are used as the benchmark for these losses. The exact structure was determined as of December 31, 2020.

In addition, hospitals can negotiate per-case surcharges to compensate for the additional costs resulting from COVID-19 that have not yet been taken into account by other compensation payments. No further measures to provide financial support to hospitals in Germany are currently planned.

In addition, the Hospital Future Act aims to further modernize and digitalize hospitals in Germany. For example, there are plans to introduce nationwide standards to enable stronger networking in 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., in patient portals, electronic documentation of nursing and treatment services, digital medication management, IT security measures, and cross-sector telemedical network structures.

In order to give hospitals more flexibility in the deployment of personnel during the COVID-19 pandemic, the minimum level for nursing staff in the care-intensive geriatrics, intensive care, cardiology, trauma surgery, cardiac surgery, neurology, early neurological rehabilitation, and neurology/stroke unit wards in force since 2019 were in part suspended for 2020.

As a result 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. This rule was not affected by the COVID-19 pandemic.

The **private hospital market in Spain** had a volume of around €16 billion[1] in 2019.

Helios Spain is the market leader with a market share of around 13% in the private hospital market in terms of sales. Helios Spain competes with a large number of standalone private hospitals, as well as with smaller hospital chains such as HM Hospitales, Hospiten, Vithas, Ribera Salud, Hospitales Sanitas, and HLA, among others.

In particular, the increasing number of privately insured patients is opening up growth opportunities for private operators. Private supplemental insurance in Spain is relatively affordable, especially when compared to other countries, and it is a prerequisite for using the services of private hospitals. Among other factors, the comparatively short waiting times for scheduled treatments and the possibility to access specialists directly make private hospitals attractive.

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

In view of high patient numbers with COVID-19 infections and overburdened hospitals, Spain declared a national emergency (State of Alarm) for the first time from March to late June 2020. Where medically justifiable, elective treatments were prohibited nationwide in order to free up bed capacity for COVID-19 patients. During the summer period, the pandemic situation improved, and elective treatments were performed again, recovering also some procedures (catch-up effects) that had to be canceled during the first State of Alarm. However, after the number of infections rose once again, another nationwide State of Alarm was declared in October 2020. This time, responsibility for health policy was largely delegated to the 17 autonomous regions. None of them issued a new ban on performing elective treatments.

In June 2020, the Spanish central government approved a special fund to help the autonomous regions finance the costs of the pandemic. In total, it provided around €16 billion in non-repayable grants. Around €9 billion of this amount was earmarked for financial support of the regional health care systems, particularly to rebalance their budgets after increased costs and to reinforce the public system to cope with the expected new waves of the COVID-19 pandemic. The specific use of these funds was to be decided by the regional governments themselves, depending on their own needs and health care plans. In this respect, regional health authorities could support private hospitals by referring patients to them where appropriate or by reimbursing them for other kinds of provided services, but there was no specific program to compensate for reserved beds. Compensation payments for the increased costs of treating COVID-19 patients were negotiated bilaterally by private hospital operators with private health insurers and the relevant government authorities.

[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).

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 in 2020. Thus, the market for projects for hospitals was characterized by delays, postponements, and cancellations. These were accompanied by general delays in project execution, not least due to COVID-19 -related travel and quarantine restrictions, as well as supply chain constraints. Furthermore, the COVID-19 pandemic led to health-authority-induced capacity restrictions in the service business, coupled with lower demand for rehabilitation services due to postponed elective surgeries.

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 a significant contribution worldwide to combat the COVID-19 pandemic. 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 2020 financial year figures, in particular due to restrictions imposed by the authorities in many of the Group's key markets.

The downturn in the global economy had only an insignificant overall impact on our industry in 2020.

The Management Board is of the opinion that Fresenius has proven to be stable and resilient in the face of the enormous challenges in 2020 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 ongoing and, in some cases, significant constraints. We achieved the Group sales and earnings targets for the year 2020, which had been adjusted to reflect the effects of COVID-19. Hence, the Management Board is of the opinion that 2020 was a successful year for the Fresenius Group from a financial perspective.

Fresenius Medical Care's sales in constant currency increased by 5% to €17,859 million (2019: €17,477 million). Net income[1] attributable to shareholders of Fresenius Medical Care increased by 10% (12% in constant currency) to €1,359 million (2019: €1,236 million).

Fresenius Kabi achieved organic sales growth of 4%. EBIT[1] decreased by 9% (decreased by 6% in constant currency) to €1,095 million (2019: €1,205 million).

Organic sales growth of Fresenius Helios was 4%. EBIT remained on the prior year's level (0% in constant currency) at €1,025 million (2019: €1,025 million).

Organic sales development of Fresenius Vamed was -8%. EBIT decreased by 78% (79%[2]) to €29 million (2019: €134 million).

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

Our assumption that demand for our products, services, and therapies would remain strong in 2020 was confirmed. However, the COVID-19 pandemic had impacts on individual product categories and services. The respective effects can be found in the notes on the results of operations, starting on page 64.

The overview on page 63 shows how the outlook for the Group and the business segments has developed in 2020. At the time the outlook for 2020 was published in February 2020, the effects of the COVID-19 pandemic had not been taken into account. A reliable assessment and quantification of positive and negative effects was not yet possible at that time. Therefore, the original guidance excluding effects from the COVID-19 pandemic remained in place until the publication of the half-year results. The adjusted guidance published in July 2020 included COVID-19 effects estimated for the full year.

We achieved our **Group sales and net income**[1,3] guidance including estimated COVID-19 effects. We also would have achieved our original guidance excluding estimated COVID-19 effects for Group sales and Group net income[3].

Sales in 2020 grew by 5% in constant currency, at the upper end of the guidance range of 3% to 6%. Excluding estimated COVID-19 effects[4], the Fresenius Group would have achieved currency-adjusted sales growth of 7% to 8% in 2020, thus the upper end of the original guidance range.

Currency-adjusted net income[3] before special items decreased by 3% in 2020, within the guidance range of -4% to +1%. Excluding estimated COVID-19 effects[4], the Fresenius Group would have achieved the original guidance range with currency-adjusted net income[3] growth before special items of 2% to 6%.

Fresenius invested €2,398 million in **property, plant and equipment** (2019: €2,463 million). At 6.6%, the investments in property, plant and equipment are below the prior-year level of 7.0% as a percentage of sales. The effects of the COVID-19 pandemic led to temporary delays in some projects. Overall, the Fresenius Group was able to continue its investment programs to a large extent and achieve the targeted range of 6% to 7% of sales.

Operating cash flow increased to €6,549 million and was significantly above the previous year's figure due to substantial advance payments for Medicare patients under the CARES Act and tax deferrals in North America (2019: €4,263 million). Even excluding these COVID-19-related special effects, operating cash flow was higher than in the previous year. The cash flow margin was 18.1% (2019: 12.0%) and therefore above our expectations. We had expected to achieve a cash flow margin between 12% and 14%.

Group net debt/EBITDA was 3.44[5] (December 31, 2019: 3.61[5]), and therefore in line with our expected target.

[1] Before special items
[2] In constant currency
[3] Net income attributable to the shareholders of Fresenius SE & Co. KGaA
[4] An overview on the effect of COVID-19 is provided on page 63.
[5] Both net debt and EBITDA calculated at average exchange rates; before special items, pro forma closed acquisitions/divestitures

For a detailed overview of special items please see the reconciliation tables on pages 69–71.

The improvement in the leverage ratio is attributable to the excellent cash flow development, which more than offset the weight of COVID-19 effects on EBITDA.

Group ROIC was 6.5%[1] (2019: 6.7%[1]), and Group ROOA was 7.3%[1] (2019: 7.6%[1]). The change is mainly driven by higher average operating assets and higher invested capital (ROIC).

Estimated COVID-19 effects 2020

The Fresenius Group was affected by the impact of the COVID-19 pandemic. In an environment with direct, but also many indirect effects of COVID-19, it is not possible to provide precise information on the financial impact on the consolidated income statement. This applies in particular to the impact of lost revenues and the associated reductions in profitability. Therefore, the table below shows management's best estimates.

[1] Pro forma closed acquisitions/divestitures; before special items

For a detailed overview of special items please see the reconciliation tables on pages 69 – 71.

ACHIEVED GROUP TARGETS 2020

	Guidance 2020, published February 2020[1]	Guidance adjustment/update, published July 2020[2]	Guidance adjustment/update, published October 2020[2]	Achieved in 2020
Group				
Sales growth (in constant currency)	+4% to +7%	+3% to +6%		5%
Net income[3] growth (in constant currency)	+1% to +5%	-4% to +1%		-3%
Fresenius Medical Care				
Sales growth (in constant currency)	Mid-to-high single-digit %-range			5%
Net income[4,5] (growth, in constant currency)	Mid-to-high single-digit %-range			12%
Fresenius Kabi				
Sales growth (organic)	+3% to +6%	+2% to +5%		4%
EBIT growth (in constant currency)	- 4% to 0%	-6% to -3%		-6%
Fresenius Helios				
Sales growth (organic)	+3% to +6%	+1% to +4%		4%
EBIT growth (in constant currency)	+3% to +7%	Broadly stable		0%
Fresenius Vamed				
Sales growth (organic)	+4% to +7%	~ -10%		-8%
EBIT growth (in constant currency)	+5% to +9%	~ -50%	Positive absolute EBIT	+€29 million

[1] Before special items, excluding COVID-19 effects
[2] Before special items, including expected COVID-19 effects
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[4] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[5] Special items are effects that are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance.

ESTIMATED COVID-19 EFFECTS 2020

€ in millions	**Reported growth rate in constant currency including COVID-19 effects**	Estimated COVID-19 impact in constant currency
Sales	**5%**	-2% to -3%
Net income (before special items)[1]	**-3%**	-5% to -9%

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

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

RESULTS OF OPERATIONS

Sales

Group sales increased by 2% (5% in constant currency) to €36,277 million (2019: €35,409 million). The chart on page 65 shows the various influences on Fresenius' Group sales.

The impact of the COVID-19 pandemic had a negative effect[1] of an estimated 2 to 3 percentage points on currency-adjusted sales growth. In detail, COVID-19 effects on sales of the business segments[2] are as follows:

- Sales of **Fresenius Medical Care** increased by 2% (5% in constant currency) to €17,859 million (2019: €17,477 million). Organic sales growth was 3%. Currency translation effects lowered sales by 3%. The sales increase was driven by organic growth despite lower reimbursement for calcimimetics and slower growth in number of treatments due to higher mortality rates among patients affected by COVID-19 as well as the absence in 2020 of a revenue recognition adjustment for accounts receivable in legal dispute previously recorded in the prior year (2%). In 2020, Fresenius Medical Care experienced a higher demand of products for acute care treatments, in-center disposables, renal pharmaceuticals, home hemodialysis products and peritoneal dialysis products. Overall, we achieved our revenue targets in 2020 despite the COVID-19 pandemic.

SALES BY REGION

€ in millions	2020	2019	Change	Organic sales growth	Currency translation effects	Acquisitions	Divestitures	% of total sales
North America	**14,801**	14,543	2%	3%	-3%	2%	0%	41%
Europe	**15,813**	15,178	4%	4%	-1%	1%	0%	44%
Asia-Pacific	**3,705**	3,732	-1%	1%	-2%	1%	-1%	10%
Latin America	**1,566**	1,545	1%	1%	-13%	13%	0%	4%
Africa	**392**	411	-5%	1%	-6%	0%	0%	1%
Total	**36,277**	35,409	2%	3%	-3%	2%	0%	100%

SALES BY BUSINESS SEGMENT

€ in millions	2020	2019	Change	Organic sales growth	Currency translation effects	Acquisitions	Divestitures	% of total sales[2]
Fresenius Medical Care	**17,859**	17,477	2%	3%	-3%	3%	-1%	49%
Fresenius Kabi	**6,976**	6,919	1%	4%	-3%	0%	0%	19%
Fresenius Helios	**9,818**	9,234	6%	4%	-1%	3%	0%	27%
Fresenius Vamed	**2,068**	2,206	-6%	-8%	0%	2%	0%	5%
Total	**36,277**	35,409	2%	3%	-3%	2%	0%	100%

- **Fresenius Kabi** increased sales by 1% to €6,976 million (2019: €6,919 million). Organic sales growth was 4%. Negative currency translation effects (3%) were mainly related to the devaluation of the U.S. dollar, the Brazilian real, and the Argentine peso against the euro.

  Sales in the United States and Europe were negatively impacted by fewer elective treatments due to COVID-19. In both regions, the exceptional increase in demand for essential medicines and medical devices for the treatment of COVID-19 patients already weakened early in Q2, and to that extent could not fully offset the dampened demand for medicines used for elective treatments.

  In North America, supply constraints for individual products due to temporary production restrictions put an additional strain on sales.

  In Asia-Pacific, Fresenius Kabi already experienced negative effects due to COVID-19 at the beginning of the

[1] An overview of the effect of COVID-19 is provided on page 63.
[2] The following description of sales relates to the respective external sales of the business segments. Consolidation effects and corporate entities are not taken into account. Therefore, aggregation to total Group sales is not possible.

year. This was followed by a gradual recovery of the Chinese business driven by an increase in elective treatments. However, sales in China remained at the previous year's level on a full-year basis.

Estimated COVID-19 effects had a slightly negative overall impact on Fresenius Kabi's sales growth.

- **Fresenius Helios** increased sales by 6% (7%[1]) to €9,818 million (2019: €9,234 million). Organic sales growth was 4%.

Fresenius Helios' sales in 2020 were negatively impacted by bed capacities kept free and postponed elective treatments due to COVID-19. Overall, COVID-19 effects had a slightly negative impact on organic sales development in 2020.

Sales of Helios Germany increased by 7% to €6,340 million (2019: €5,940 million). Organic sales growth of 6% was positively impacted by regular price increases for flat rates per case (DRG) in Germany and a positive case mix. In addition, Fresenius Helios recorded strong case number growth in the months January to February 2020.

At Helios Germany, the law to ease the financial burden on hospitals, which was in force until September 30, 2020, mitigated most of the negative effects in the first three quarters. In the fourth quarter, a follow-up regulation was implemented with narrowed criteria for hospitals obtaining the financial support. Overall, COVID-19 effects had a slightly negative impact on organic sales growth at Helios Germany in 2020.

Helios Spain increased sales by 6% (organic growth: 2%) to €3,475 million (2019: €3,292 million), mainly due to the expansion of the market presence in Colombia with the acquisitions of 3 hospitals.

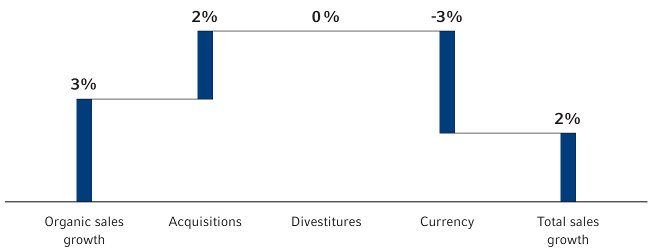
At Helios Spain, COVID-19 effects had a significant negative impact on organic sales growth in 2020. Forgone elective treatments and bed capacities held vacant as part of authority-ordered measures led to significantly negative sales effects, particularly in the first half of the year. In the third and fourth quarter, organic growth increased significantly, driven by a strong recovery of elective treatments as well as an increase in outpatient treatments. Spain does not have a comparable compensation process to the so-called Rettungsschirm in Germany, with corresponding compensation regulations.

- **Fresenius Vamed's** sales decreased by 6% (-6%[1]) to €2,068 million (2019: €2,206 million). Sales in the project business decreased by 22% to €633 million (2019: €807 million).

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED

€ in millions	2020	2019	2018	2017	2016
Order intake	**1,010**	1,314	1,227	1,096	1,017
Order backlog (December 31)	**3,055**	2,865	2,420	2,147	1,961

SALES GROWTH ANALYSIS



In the project business, there were significant delays and partial cancellations due to travel restrictions, restricted supply chains, interrupted project execution, and imposed construction site stops, which also impacted sales in the second half of the year in particular.

Sales in the service business grew by 3% to €1,435 million (2019: €1,399 million). Fresenius Vamed's service business was negatively impacted by COVID-19 in 2020 due to

[1] In constant currency

underutilization of post-acute capacity based on the lower number of referrals from acute care hospitals. In addition, treatment of rehabilitation patients occurred only with capacity limitations due to authority-mandated restrictions. Government compensation payments were only able to mitigate the resulting negative effects to a limited extent. In contrast, the technical service business was robust.

Overall, estimated COVID-19 effects had a very significant negative impact on Fresenius Vamed's sales development. **Order intake** in the project business decreased due to COVID-19 to €1,010 million (2019: €1,314 million). Fresenius Vamed increased its **order backlog** by 7% to €3,055 million (December 31, 2019: €2,865 million). Fresenius Vamed is the only business segment within the Fresenius Group whose business is also significantly influenced by order intake and order backlog.

Beyond this, there were no other significant effects from changes in the product mix and no significant price effects in the Group in 2020.

Currency translation effects had a negative impact of 3%. These resulted in particular from the devaluation of the U.S. dollar and various Latin American currencies, mainly the Brazilian real and the Argentine peso, against the euro.

Earnings structure

In 2020, **Group net income[1] before special items** decreased by 4% (-3% in constant currency) to €1,796 million (2019: €1,879 million). COVID-19 had an estimated effect of -5 to -9 percentage points on Group net income growth. In 2020, **earnings per share[1] before special items** decreased by 4% (-3% in constant currency) to €3.22 (2019: €3.37). The weighted average number of shares was 557.5 million.

Reported Group net income[1] decreased by 9% (-8% in constant currency) to €1,707 million (2019: €1,883 million). An impairment of goodwill and brand names at Fresenius Medical Care Latin America had a negative impact. The impairment was due to the macroeconomic downturn in several countries in the region and the resulting increase in risk premiums. In addition, the change in the valuation of the biosimilars contingent purchase price liabilities (appreciation), which was due to the higher prospects of success of individual projects also had a negative impact. **Reported earnings per share[1]** decreased by 9% (-8% in constant currency) to €3.06 (2019: €3.38). Inflation effects did not have a significant impact on our results of operations.

Group EBITDA before special items remained on the previous year's level (increased by 2% in constant currency) at €7,132 million (2019: €7,104 million). **Group EBITDA reported** was €7,100 million (2019: €7,083 million).

Group EBIT before special items decreased by 2% (0% in constant currency) to €4,612 million (2019: €4,688). **Group EBIT reported** decreased by 5% (-3% in constant currency) to €4,358 million (2019: €4,631 million).

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 EBIT[2] increased in constant currency by 8% to €2,499 million (2019: €2,356 million). The increase was primarily driven by a revenue recognition adjustment for accounts receivable in legal dispute in 2019, and current year impacts from COVID-19-related meeting and travel savings in the North America Segment. EBIT was negatively impacted by additional costs – particularly in North America – for the installation of dialysis clinics exclusively for COVID-19 patients, for organizational changes in the existing dialysis clinics and additional personnel expenses as well as additional costs in the production facilities to protect employees and safeguard production activities. However, these expenses were mainly covered by the U.S. reimbursement program under the CARES Act. At the same time,

GROUP RETURN RATIOS

in %	2020[1]	2019[1]	2018[1]	2017[1]	2016
EBITDA margin	**19.7**	20.1	18.1	18.5	18.7
EBIT margin	**12.7**	13.2	13.6	14.3	14.6
Return on sales (before taxes and noncontrolling interests)	**10.9**	11.2	11.9	12.3	12.6

[1] Before special items

For a detailed overview of special items please see the reconciliation tables on pages 69–71.

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Before special items

For a detailed overview of special items please see the reconciliation tables on pages 69–71.

we experienced a higher mortality rate amongst patients, due to the COVID-19 pandemic. In total, Fresenius Medical Care's earnings were immaterially impacted by the effects of COVID-19. The EBIT margin[1] increased to 14.0% (2019: 13.5%). EBIT reported increased by 4% in constant currency to €2,304 million (2019: €2,270 million), and the EBIT margin was 12.9% (2019: 13.0%).

- Fresenius Kabi's EBIT[1] decreased by 9% (-6% in constant currency) to €1,095 million (2019[1]: €1,205 million). The decline is driven by headwinds leading to some underutilized production capacities in the US, coupled with selective supply constraints due to temporary manufacturing issues, incremental COVID-19 related expenses, competitive pressure, a negative effect due to the bankruptcy of a customer as well as planned SG & A spending ahead of the launch of the company's first US biosimilar. Due to lower share-based compensation as a result of the current capital market situation, lower administrative costs due to reduced travel, and postponed projects, the estimated COVID-19 effects had a insignificant impact on EBIT development. The EBIT margin[1] was 15.7% (2019: 17.4%).

STATEMENT OF INCOME (SUMMARY)

€ in millions	2020	2019	Change
Sales	**36,277**	35,409	2%
Cost of goods sold	**-25,961**	-25,061	-4%
Gross profit	**10,316**	10,348	0%
Selling, general, and administrative expenses	**-5,211**	-5,101	-2%
Gain related to divestitures of Care Coordination activities	**31**	29	7%
Research and development expenses	**-751**	-645	-16%
Operating income (EBIT)	**4,385**	4,631	-5%
Financial result	**-659**	-719	8%
Income before income taxes	**3,726**	3,912	-5%
Income taxes	**-903**	-883	-2%
Net income	**2,823**	3,029	-7%
Noncontrolling interests in profit	**-1,116**	-1,146	3%
Net income[1,2]	**1,796**	1,879	-4%
Net income[1]	**1,707**	1,883	-9%
Earnings per ordinary share in €[1,2]	**3.22**	3.37	-4%
Earnings per ordinary share in €[1]	**3.06**	3.38	-9%
EBITDA[2]	**7,132**	7,104	0%
Depreciation and amortization[2]	**-2,520**	-2,416	4%

[1] Net income attributable to the shareholders of Fresenius SE & Co. KGaA
[2] Before special items

- The EBIT of Fresenius Helios remained on the prior year's level (0% in constant currency) at €1,025 million (2019: €1,025 million). The EBIT margin was 10.4% (2019: 11.1%). COVID-19 effects had a moderate negative impact on EBIT development.

  The EBIT of Helios Germany increased by 4% to €602 million (2019: €577 million). The EBIT margin was 9.5% (2019: 9.7%). Due to the comprehensive financial support provided by the German government, COVID-19 effects had an overall insignificant impact on the EBIT development.

  The EBIT of Helios Spain decreased by 5% (-5% in constant currency) to €420 million (2019: €443 million). The EBIT margin was 12.1% (2019: 13.5%). COVID-19 effects had a very significant negative impact on EBIT development due to forgone or postponed elective treatments combined with higher costs for extensive measures to combat the pandemic.

[1] Before special items

For a detailed overview of special items please see the reconciliation tables on pages 69–71.

- The EBIT of Fresenius Vamed decreased by 78% (-79% in constant currency) to €29 million (2019: €134 million). The EBIT margin was at 1.4% (2019: 6.1%). Capacities at the rehabilitation clinics remained unused due to significantly lower allocations from the acute care hospitals and authority restrictions up to and including facility closures. Project business incurred additional costs due to project postponements. Estimated COVID-19 effects therefore had a very significant negative impact on EBIT development.

Development of other major items in the statement of income

Group gross profit remained on the prior year's level at €10,316 million (2019: €10,348 million, increased by 2% in constant currency). The gross margin decreased to 28.4% (2019: 29.2%). The cost of sales increased by 4% to €25,961 million (2019: €25,061 million). Cost of sales as a percentage of Group sales increased to 71.6% (2019: 70.8%).

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 2% to -€5,211 million (2019: -€5,101 million). The increase is mainly due to the rise in personnel costs as a result of the increased number of employees. Selling, general, and administrative expenses as a percentage of Group sales was 14.4% and remained on the prior year's level (2019: 14.4%). **R&D expenses** increased by 16% to €751 million (2019: €645 million). The increase resulted from higher expenses at Fresenius Medical Care and Fresenius Kabi. **Depreciation and amortization** was €2,520 million[1] (2019: €2,416 million[1]). The ratio as a percentage of sales was 6.9%[1] (2019: 6.8%[1]). **Group personnel costs** increased to €15,128 million (2019: €14,355 million). The personnel cost ratio was 41.7% (2019: 40.5%).

Group financial result before special items was -€654 million (2019: -€714 million), mainly due to refinancing activities as well as lower interest rates. **Group financial result reported** was -€659 million (2019: -€719 million).

The **Group tax rate before special items** was 23.1% (2019: 23.3%) and thus in line with expectations. **Group tax rate reported** was 24.2% (2019: 22.6%).

Noncontrolling interests before special items was -€1,248 million (2019: -€1,170 million), of which 96% was attributable to the noncontrolling interests in Fresenius Medical Care.

[1] Before special items

For a detailed overview of special items please see the reconciliation tables on pages 69–71.

RECONCILIATION FRESENIUS GROUP

€ in millions	2020	2019	Growth rate	Growth rate in constant currency
Sales reported	**36,277**	35,409	2%	5%
EBIT reported (after special items)	**4,385**	4,631	-5%	-3%
Transaction costs Akorn	-	3		
Revaluations of biosimilars contingent purchase price liabilities	**32**	-32		
Gain related to divestitures of Care Coordination activities	-	-29		
Transaction costs NxStage	-	24		
Expenses associated with the cost optimization program at FMC	-	91		
Impairment of goodwill at FMC Latin America	**195**	-		
EBIT (before special items)	**4,612**	4,688	-2%	0%
Financial result reported (after special items)	**-659**	-719	8%	7%
Revaluations of biosimilars contingent purchase price liabilities	**5**	5		
Financial result (before special items)	**-654**	-714	8%	7%
Income taxes reported (after special items)	**-903**	-883	-2%	-5%
Transaction costs Akorn	-	0		
Revaluations of biosimilars contingent purchase price liabilities	**-11**	8		
Gain related to divestitures of Care Coordination activities	-	-20		
Transaction costs NxStage	-	-6		
Expenses associated with the cost optimization program at FMC	-	-24		
Income taxes (before special items)	**-914**	-925	1%	-1%

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 2020, key figures are presented before special items.

2020 net income includes special items from goodwill impairment at Fresenius Medical Care in Latin America and revaluations of contingent biosimilars purchase price liabilities. 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.

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

RECONCILIATION FRESENIUS GROUP

€ in millions	2020	2019	Growth rate	Growth rate in constant currency
Noncontrolling interests reported (after special items)	**-1,116**	-1,146	3%	1%
Gain related to divestitures of Care Coordination activities	-	34		
Transaction costs NxStage	-	-12		
Expenses associated with the cost optimization program at FMC	-	-46		
Impairment of goodwill at FMC Latin America	**-132**	-		
Noncontrolling interests (before special items)	**-1,248**	-1,170	-7%	-8%
Net income reported (after special items)[1]	**1,707**	1,883	-9%	-8%
Transaction costs Akorn	-	3		
Revaluations of biosimilars contingent purchase price liabilities	**26**	-19		
Gain related to divestitures of Care Coordination activities	-	-15		
Transaction costs NxStage	-	6		
Expenses associated with the cost optimization program at FMC	-	21		
Impairment of goodwill at FMC Latin America	**63**	-		
Net income (before special items)[1]	**1,796**	1,879	-4%	-3%

The special items presented in the reconciliations are each reported in the Corporate/Other segment.

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

RECONCILIATION BUSINESS SEGMENTS

FRESENIUS MEDICAL CARE

€ in millions	2020	2019	Growth rate	Growth rate in constant currency
Sales reported	**17,859**	17,477	2%	5%
EBIT reported	**2,304**	2,270	2%	4%
Gain related to divestitures of Care Coordination activities	-	-29		
Transaction costs NxStage	-	24		
Expenses associated with the cost optimization program	-	91		
Impairment of goodwill at FMC Latin America	195	-		
EBIT before special items	**2,499**	2,356	6%	8%
Net income reported[1]	**1,164**	1,200	-3%	-1%
Gain related to divestitures of Care Coordination activities	-	-49		
Transaction costs NxStage	-	18		
Expenses associated with the cost optimization program	-	67		
Impairment of goodwill at FMC Latin America	195	-		
Net income before special items[1]	**1,359**	1,236	10%	12%

FRESENIUS KABI

€ in millions	2020	2019	Growth rate	Growth rate in constant currency
Sales reported	**6,976**	6,919	1%	4%
Transaction costs Akorn	-	3		
Revaluations of biosimilars contingent purchase price liabilities	32	-32		
EBIT (before special items)	**1,095**	1,205	-9%	-6%

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

FINANCIAL POSITION

Financial management policies and goals

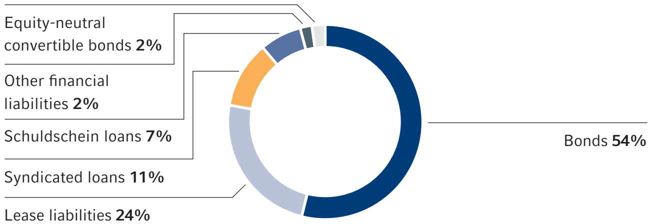
The financing strategy of the Fresenius Group has the following main objectives:

- Ensuring financial flexibility
- Optimizing 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, cost of capital, and the current **maturity profile** into consideration. This strategy has proven reliable even in volatile times, particularly amid the COVID-19-related uncertainties on the capital market. 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.

FINANCING MIX OF THE FRESENIUS GROUP



Dec. 31, 2020: €25,913 million

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. 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 business segments Fresenius Kabi, Fresenius Helios, and Fresenius Vamed business segments are financed primarily through Fresenius SE & Co. KGaA, in order to avoid any structural subordination.

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 is rated investment grade by all three rating agencies. There were no rating changes in 2020.

RATING OF FRESENIUS SE & CO. KGAA

	Dec. 31, 2020	Dec. 31, 2019
Standard & Poor's		
Corporate Credit Rating	**BBB**	BBB
Outlook	**stable**	stable
Moody's		
Corporate Credit Rating	**Baa3**	Baa3
Outlook	**stable**	stable
Fitch		
Corporate Credit Rating	**BBB-**	BBB-
Outlook	**stable**	stable

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. The financing mix also includes lease liabilities.

Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA each maintain Debt Issuance Programs which enable the companies to issue bonds up to a total volume of €10 billion each in various currencies and maturities.

Financing activities in 2020 were mainly carried out to refinance existing financial liabilities, to optimize financing costs, as well as to improve terms and the maturity profile, and to expand the financial scope.

- In January 2020, Fresenius SE & Co. KGaA issued bonds with a total volume of €750 million with a maturity of eight years.
- In April 2020, Fresenius SE & Co. KGaA issued bonds with a total volume of €750 million with a maturity of seven and a half years.
- In May 2020, Fresenius Medical Care AG & Co. KGaA issued bonds with a total volume of €1,250 million in two tranches with maturities of six and ten years.
- In September 2020, Fresenius Medical Care US Finance III, Inc. issued bonds with a total volume of US$1,000 million with a maturity of ten years and five months.
- In September 2020, Fresenius SE & Co. KGaA issued bonds with a total volume of €1,000 million in two tranches with maturities of six years and twelve years and four months.

Further details are presented in the notes to the consolidated financial statements on pages 268 ff.

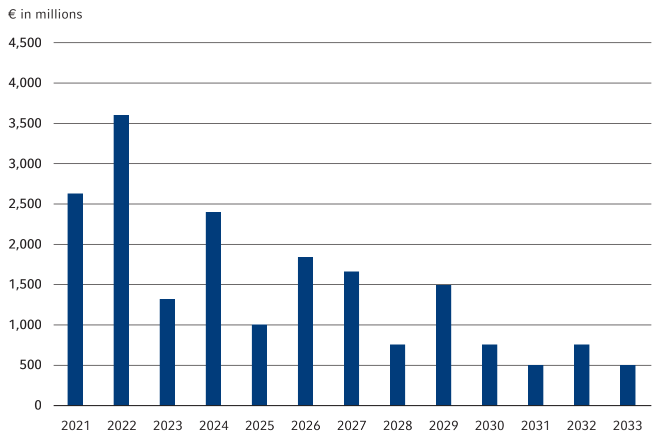
Moreover, the syndicated credit agreements, Schuldschein loans, and the equity-neutral convertible bonds are instruments in the long-term debt financing. The revolving credit facilities under the syndicated credit agreements assure liquidity and were unused as of December 31, 2020.

For short-term financing needs, 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 debt can be issued. As of December 31, 2020, €30 million of Fresenius SE & Co. KGaA's commercial paper program was utilized. Under Fresenius Medical Care AG & Co. KGaA's commercial paper program, €20 million were outstanding.

In light of the COVID-19-related general uncertainties, we further enhanced our financial cushion and increased our committed bilateral credit lines with banks. These additional credit lines were largely unused as of December 31, 2020.

Detailed information on the Fresenius Group's financing can be found on pages 263 to 270 of the Notes. Further information on financing requirements in 2021 is included in the Outlook section on pages 87.

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1,2]



[1] As of December 31, 2020 and based on utilization of major financing instruments, incl. Commercial papers and excl. Lease liabilities

[2] Fresenius' €450 million and US$300 million bonds due in February 2021 as well as Fresenius Medical Care's €300 million and US$650 million bonds also due in February 2021 were redeemed at maturity.

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

€ in millions	2020	2019	2018	2017	2016
Operating cash flow	**6,549**	4,263	3,742	3,937	3,585
as % of sales	**18.1**	12.0	11.2	11.6	12.2
Working capital [1]	**8,104**	8,812	7,721	7,771	6,998
as % of sales	**22.3**	24.9	23.0	22.9	23.7
Investments in property, plant and equipment, net	**2,366**	2,433	2,077	1,705	1,616
Cash flow before acquisitions and dividends	**4,183**	1,830	1,665	2,232	1,969
as % of sales	**11.5**	5.2	5.0	6.6	6.7

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

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

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 equity-neutral convertible bonds and leasing. 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.

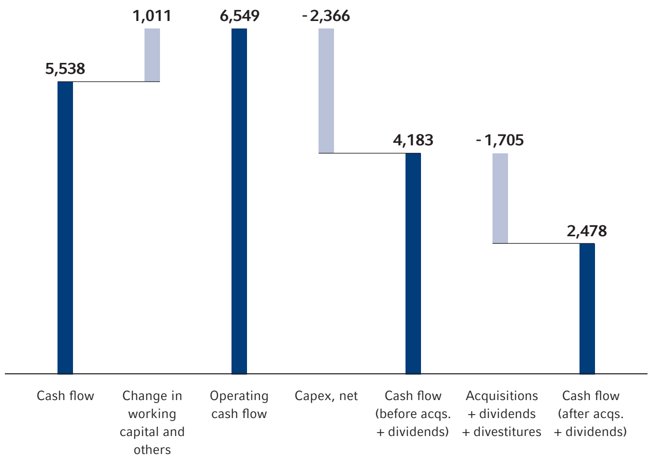
Dividend

The general partner and the Supervisory Board will propose a dividend increase to the Annual General Meeting. For 2020, a dividend of €0.88 per share is proposed (2019: €0.84 per share). This is an increase of 5%. Despite the challenging year, this is intended to maintain dividend continuity. The total dividend distribution will also increase by about 5% to €491 million (2019: €468 million).

Cash flow analysis

Operating cash flow increased by 54% to €6,549 million (2019: €4,263 million), with a margin of 18.1% (2019: 12.0%). The excellent cash flow development was mainly due to U.S. government assistance and prepayments under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) at Fresenius Medical Care in the United States

CASH FLOW IN € MILLIONS



CASH FLOW STATEMENT (SUMMARY)

€ in millions	2020	2019	Change	Margin 2020	Margin 2019
Net income	2,823	3,029	-7%		
Depreciation and amortization	2,715	2,452	11%		
Change in working capital and others	1,011	-1,218	183%		
Operating cash flow	**6,549**	4,263	54%	**18.1%**	12.0%
Capital expenditure, net	-2,366	-2,433	3%		
Cash flow before acquisitions and dividends	**4,183**	1,830	129%	**11.5%**	5.2%
Cash used for acquisitions, net	-645	-2,423	73%		
Dividends paid	-1,060	-952	-11%		
Cash flow after acquisitions and dividends	**2,478**	-1,545	--		
Cash provided by/used for financing activities	-2,057	468	--		
Effect of exchange rate changes on cash and cash equivalents	-238	22	--		
Change in cash and cash equivalents	**183**	-1,055	117%		

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

and due to shortened payment terms under the law to ease the financial burden on hospitals in Germany at Fresenius Helios.

Cash provided by operating activities exceeded financing needs from investment activities before acquisitions, with cash outflows for capital expenditures amounting to €2,406 million and cash inflows from disposals of non-current assets of €40 million (2019: €2,459 million and €26 million, respectively).

Cash flow before acquisitions and dividends was €4,183 million (2019: €1,830 million). This was sufficient to finance the Group dividends of €1,060 million.

Group dividends consisted of dividend payments of €468 million to the shareholders of Fresenius SE & Co. KGaA, payments of €351 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €354 million (primarily relating to Fresenius Medical Care). These payments were partially offset by the dividend of €113 million that Fresenius SE & Co. KGaA received as a shareholder of Fresenius Medical Care.

The cash outflow for acquisitions was €645 million, mainly for acquisitions at Fresenius Medical Care and Fresenius Helios.

Cash flow after acquisitions and dividends was €2,478 million (2019: -€1,545 million).

Overall, cash used for financing activities was -€2,057 million, (2019 cash provided by financing activities: €468 million). Cash and cash equivalents increased by €183 million to €1,837 million as of December 31, 2020 (December 31, 2019: €1,654 million). Cash and cash equivalents were negatively influenced by currency translation effects of €238 million (2019: positive effect of €22 million).

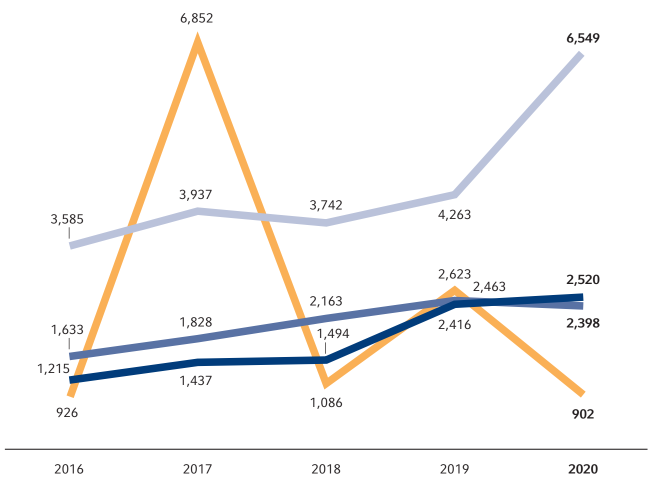
Working capital decreased by 8% to €8,104 million, mainly due to advance payments received from MediCare at Fresenius Medical Care and tax deferrals in North America as a result of COVID-19.

Acquisitions and investments

The effects of the COVID-19 pandemic led to temporary delays in some projects. Overall, however, the Fresenius Group was able to continue its investment programs to a large extent.

In 2020, the Fresenius Group provided €3,300 million (2019: €5,086 million) for investments and acquisitions. **Investments in property, plant and equipment** decreased to €2,398 million (2019: €2,463 million). At 6.6% of reported sales (2019: 7.0%), this was below the depreciation level[1] of €2,520 million. A total of €902 million was invested in **acquisitions** (2019: €2,623 million). Of the total capital expenditure in 2020, 73% was invested in property, plant and equipment and 27% was spent on acquisitions.

INVESTMENTS, ACQUISITIONS, OPERATING CASH FLOW, DEPRECIATION AND AMORTIZATION IN € MILLIONS – FIVE-YEAR OVERVIEW[1]



[1] Before special items; 2016 – 2018 before IFRS 16

INVESTMENTS / ACQUISITIONS BY BUSINESS SEGMENT

€ in millions	2020	2019	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	1,459	3,422	1,052	407	-57%	44%
Fresenius Kabi	718	812	687	31	-12%	22%
Fresenius Helios	1,000	693	541	459	44%	30%
Fresenius Vamed	101	85	95	6	19%	3%
Corporate/Other	22	74	23	-1	-70%	1%
Total	3,300	5,086	2,398	902	-35%	100%

[1] Before special items

For a detailed overview of special items please see the reconciliation tables on pages 69 – 71.

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

- Fresenius Medical Care's acquisition spending was mainly related to the acquisition of dialysis clinics.
- 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 Colombia and the purchase of hospitals and outpatient clinics in Germany.
- Fresenius Vamed's acquisition spending was mainly for the purchase of rehabilitation facilities.

Acquisitions at Fresenius Helios

In February, Fresenius Helios signed an agreement to acquire Clínica de la Mujer in Bogotá, further expanding the company's presence in Colombia's private hospital market. The hospital puts a special focus on gynecology, pediatrics, and obstetrics, while also offering a broad range of other medical specialties and services. It has approximately 80 beds and 5 operating rooms, and generated sales of about €20 million in 2019. The transaction was closed in August 2020.

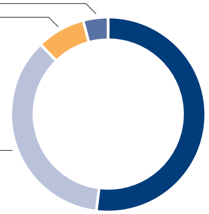
In May, Fresenius Helios announced the acquisition of the Malteser Hospital ("MKHB") in the city of Bonn. The 400-bed acute care hospital generated sales of about €66 million in 2019. The MKHB offers a wide range of medical services, with specialties in general surgery, pulmonology, and oncology, including palliative care. With certified centers for prostate, intestinal, and lung cancers, it will complement the existing Fresenius Helios hospital in the neighboring city of Siegburg, which specializes in cardiovascular medicine and oncology.

In August, Fresenius Helios announced the acquisition of three hospitals and four connected medical care centers in the cities of Duisburg and Krefeld from the Malteser humanitarian aid group. The facilities have a total of 870 beds, and sales in 2019 were about €160 million. The two Malteser Hospitals in Duisburg cover specialty areas including general surgery; internal medicine; ear, nose, and throat medicine; oral and maxillofacial surgery, and geriatrics. Special expertise in hematological oncology is offered. At the Malteser Hospital in Krefeld, a comprehensive range of medical services includes oral and maxillofacial surgery, general surgery, and internal medicine as the main specialty areas.

Both Malteser transactions closed in November 2020.

In December, Fresenius Helios announced the acquisition of Eugin Group, one of the leading international fertility groups. Eugin's network comprises 31 clinics and an additional 34 sites across 9 countries on 3 continents and offers a wide spectrum of state-of-the-art services in the field of fertility treatments. In 2019, Eugin Group generated sales of approximately €160 million. The United States, Spain, Brazil, Italy, and Sweden are Eugin Group's largest markets. The company also operates clinics in Denmark, Argentina, Colombia, and Latvia. With the acquisition of Eugin Group, Fresenius Helios becomes a leading player in this dynamic growing market and establishes a strong basis for further expansion. Fresenius Helios acquires Eugin at a valuation of €430 million, including approximately €80 million of minority interests and assumed debt. The transaction is, among other things, subject to regulatory approval by the relevant antitrust authorities and is expected to close in H1/2021.

INVESTMENTS BY REGION



2020: €2,398 million

ACQUISITIONS AND INVESTMENTS

€ in millions	2020	2019	Change
Acquisitions	**902**	2,623	-66%
Investment in property, plant and equipment	**2,398**	2,463	-3%
thereof maintenance	**49%**	47%	
thereof expansion	**51%**	53%	
Investment in property, plant and equipment as % of sales	**6.6**	7.0	
Total investments and acquisitions	**3,300**	5,086	-35%

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

Investments in property, plant and equipment of €507 million will be made in 2021, 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.

Investment program at Fresenius Kabi

In the United States, Fresenius Kabi continued its extensive investment program at its production facilities. 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. In the reporting year, we made progress with our investment program and continued to work on equipping our plants with state-of-the-art technologies for the manufacture of pharmaceutical products; this enabled us to take into operation a filling line for anti-infectives at our Grand Island site. Fresenius Kabi will continue its investment program in the United States over the coming years.

Due to the demand for enteral products in China, we are expanding our production capacity there. In the reporting year, we continued our work on a new production building on our Wuxi Campus, where we will manufacture enteral nutrition products in the future that have the status of Foods for Special Medical Purposes. At the same time, Fresenius Kabi is expanding its enteral nutrition research and development activities in Wuxi.

In the reporting year, we started to expand our production and logistics site in Graz, Austria. The plant manufactures sterile drugs and has specialized in complex process requirements and innovative technologies. The product portfolio includes intravenously administered drugs as well as large-volume parenteral nutrition products. We will further expand this site in the coming years based on investments of about €110 million.

ASSETS AND LIABILITIES

Asset and liability structure

The Group's **total assets** decreased by 1% (increased by 5% in constant currency) to €66,646 million (Dec. 31, 2019: €67,006 million). The decrease is mainly due to currency translation effects, which outweigh the increase due to the expansion of business activities. Inflation had no significant impact on the assets of Fresenius in 2020.

Current assets increased by 3% (10% in constant currency) to €15,772 million (Dec. 31, 2019: €15,264 million). Within current assets, trade accounts receivable and other receivable decreased by 3% to €6,937 million (Dec. 31, 2019: €7,176 million). At 71 days, average days sales outstanding was below the previous year's level (75 days).

Inventories increased by 9% to €3,945 million (Dec. 31, 2019: €3,633 million). The scope of inventory in 2020 was 62 days (Dec. 31, 2019: 63 days). The ratio of inventories to total assets increased to 5.9% (Dec. 31, 2019: 5.4%).

Non-current assets decreased by 2% (increased by 3% in constant currency) to €50,874 million (Dec. 31, 2019: €51,742 million). The increase due to acquisitions and new rights of use under leases was offset mainly by negative currency effects and depreciation and amortization. The goodwill and intangible assets in the amount of €30,335 million (Dec. 31, 2019: €31,606 million) has proven sustainable with the exception of the impaired goodwill of Fresenius Medical Care in Latin America. The decrease is mainly due to currency translation effects. The addition to the goodwill from acquisitions was €548 million in fiscal year 2020. Please see page 257 ff. of the Notes for further information.

Shareholders' equity decreased by 2% (increased by 6% in constant currency) to €26,023 million (Dec. 31, 2019: €26,580 million). The decrease is mainly due to currency translation effects. **Group net income** attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €1,707 million. The equity ratio was 39.0% (Dec. 31, 2019: 39.7%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity including noncontrolling interests, covers 51% of non-current assets (Dec. 31, 2019: 51%). Shareholders' equity, noncontrolling interests, and long-term liabilities cover all non-current assets and 65% of inventories.

Long-term liabilities increased by 3% (6% in constant currency) to €27,407 million (Dec. 31, 2019: €26,490 million). **Short-term liabilities** decreased by 5% (-1% in constant currency) to €13,216 million (Dec. 31, 2019: €13,936 million).

The Group has neither provisions nor accruals that are of major significance as individual items. Other provisions and accruals result mainly from provisions for self-insurance programs, for personnel expenses, for warranties and claims, and for litigation and other legal risks.

Group debt decreased by 5% (-2% in constant currency) to €25,913 million (Dec. 31, 2019: €27,258 million). Its relative weight in the balance sheet was 39% (Dec. 31, 2019: 41%). Approximately 32% of the Group's debt is denominated in U.S. dollars. Liabilities due in less than one year were €3,670 million (Dec. 31, 2019: €5,508 million), while liabilities due in more than one year were €22,243 million (Dec. 31, 2019: €21,750 million).

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	**2020**	2019	2018	2017	2016
Total assets	**66,646**	67,006	56,703	53,133	46,697
Shareholders' equity [1]	**26,023**	26,580	25,008	21,720	20,849
as % of total assets [1]	**39**	40	44	41	45
Shareholders' equity [1] / non-current assets, in %	**51**	51	60	54	60
Debt	**25,913**	27,258	18,984	19,042	14,780
as % of total assets	**39**	41	33	36	32
Gearing [1] in %	**93**	96	65	80	63

[1] Including noncontrolling interests

Group **net debt** decreased by 6% (-4% in constant currency) to €24,076 million (Dec. 31, 2019: €25,604 million) due to the excellent cash flow development.

The net debt to equity ratio including noncontrolling interests (gearing) is 93% (Dec. 31, 2019: 96%).

The **return on equity after taxes**[1] (equity attributable to shareholders of Fresenius SE & Co. KGaA) decreased to 10.6% (Dec. 31, 2019: 11.2%). The return on total assets after taxes and before noncontrolling interests[1] was 4.6% and remained on the prior year's level (2019: 4.6%).

Group **ROIC** was 6.5%[2] (2019: 6.7%[2]), and Group **ROOA** was 7.3%[2] (2019: 7.6%[2]). Estimated COVID-19 effects had a negative impact of 30 basis points on ROIC and 40 basis points on ROOA. Within the position invested capital, the goodwill of €26.6 billion had a significant effect on the calculation of ROIC. It is important to take into account that approximately 66% 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.

[1] Before special items
[2] Before special items; pro forma closed acquisitions/divestitures

For a detailed overview of special items please see the reconciliation tables on pages 69–71.

FIVE-YEAR OVERVIEW FINANCING KEY FIGURES

	Dec. 31, 2020[1,2]	Dec. 31, 2019[1,2]	Dec. 31, 2018[1,2]	Dec. 31, 2017[1,2]	Dec. 31, 2016[2]
Debt/EBITDA	**3.6**	3.8	3.2	3.1	2.7
Net debt/EBITDA[3]	**3.4**	3.6	2.7	2.8	2.3
Net debt/EBITDA[4]	**3.4**	3.6	2.7	2.8	2.4
EBITDA/financial result[1]	**10.9**	9.9	10.6	9.6	9.5

[1] Before special items
[2] 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.
[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

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 69–71.

ROIC AND ROOA BY BUSINESS SEGMENTS

	ROIC		ROOA	
in %	**2020**	2019	**2020**	2019
Fresenius Medical Care[1,2]	**6.6**	6.5	**8.2**	7.6
Fresenius Kabi[1,2]	**8.5**	9.5	**9.2**	10.5
Fresenius Helios[1]	**5.0**	5.2	**5.7**	6.1
Fresenius Vamed	**1.4**	7.1	**1.3**	7.0
Group[1,2]	**6.5**	6.7	**7.3**	7.6

[1] Pro forma acquisitions
[2] Before special items

In 2020, the Fresenius Group's return on invested capital (ROIC) exceeded our cost of capital. The WACC (weighted average cost of capital) of Fresenius Medical Care was 5.08%; the WACC of the other business segments was 5.40%.

Currency and interest risk contracts

The nominal value of all foreign currency hedging contracts was €3,230 million as of December 31, 2020. These contracts had a fair value of -€70 million. The nominal value of interest rate hedging contracts was €1 million. These contracts had a fair value of around -€43 thousand. Please see the Opportunities and Risk Report on page 98 f. and the Notes on pages 299 to 300 for further information.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

Based on the current burdens and restrictions caused by the COVID-19 pandemic, the Management Board estimates that the situation will only begin to recede in the second half of 2021. This assumption is subject to considerable uncertainty. The FY/21 earnings are, hence, expected to be very meaningfully impacted by COVID-19 effects. In particular, the significant acceleration of mortality among dialysis patients due to COVID-19 is expected to have a material impact on Fresenius Medical Care's results and hence on Fresenius Group's net income growth.

The accelerated impact of excess mortality caused by COVID-19 will persist in 2021. Accordingly, Fresenius Medical Care expects a significant adverse annualization effect on the number of dialysis treatments performed.

Despite the challenges posed by the COVID-19 pandemic, the Management Board continues to assess the business outlook of the Fresenius Group as positive. 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. For further information, please see our Opportunities and Risk Report on pages 88 ff.

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. (Further information on the cost-efficiency program are provided on page 86.)

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:** the fast-growing markets in Asia-Pacific, Latin America, and Africa especially offer further potential to strengthen our market position. They offer excellent mid-term growth opportunities, not only in infusion and nutrition therapies, IV drugs, and medical devices for Fresenius Kabi, but also for Fresenius Medical Care in dialysis. 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. 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 oncology and has a pipeline of molecules at various stages of development. Helios Germany and Spain, as well as Fresenius Vamed, have been developing innovative business areas such as digital offerings.
- **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 expect small and mid-sized acquisitions to increase the CAGR for Group revenue and Group net income by an incremental 1%-point each over the medium term.

We are also exploiting any opportunities for potential 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 2021 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. 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.

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 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.

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 life-saving 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 1% to 4% at constant exchange rates in 2021.

The number of dialysis patients worldwide is expected to rise, depending on further developments of the global COVID-19 pandemic, by approximately 3% in 2021, 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 patient below-average 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 2021 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.

Further information is provided on pages 55 ff. of the Group Management Report.

Source: Company research

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

For 2021, we expect the growth of our markets will depend on the further development of the COVID-19 pandemic. Products that are used for the treatment of coronavirus patients could face an ongoing increased demand; at the same time, further postponements of elective surgeries could moderately dampen market growth.

In 2021, the **market for generic IV drugs** is expected to grow by 5 to 7% worldwide. The demand for generic drugs is likely to grow because of their significantly lower price in comparison to the originator drugs' price. 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. A further growth driver in 2021 is expected to be the recovery after the COVID-19-induced market decline in 2020. A factor working in the opposite direction is the price erosion for original off-patent drugs and generic drugs that are already on the market.

We expect Fresenius Kabi's relevant **market for biopharmaceuticals** to grow by 5% to 7% in terms of units sold, and by 0% to 2% in terms of sales value in 2021.

In 2021, we expect worldwide growth of 2% to 4% in the **clinical nutrition market**. Growth perspectives are supported by increasing awareness of the need for early nutritional intervention, which is reflected in the latest guidelines and the increased practice of mandatory malnutritional screening [2]. We see additional potential in the still-underlying high percentage of people affected by malnutrition who do not yet have access to nutritional services. Continued high growth potential is projected in Asia-Pacific, Latin America, and Africa. We assume growth of up to 6% to 8% in individual regions.

We expect the **market for infusion therapy** in Europe to be at or slightly over the prior year's level in 2021. While the blood volume substitutes market should remain stable, the standard-solutions business is expected to show a slight growth in 2021. Outside Europe, we estimate the market for infusion therapy to grow by approximately 0% to 2% in 2021, whereby Latin America is expected to show mid single-digit growth.

In 2021, the market for **medical devices and the market for transfusion technology** are expected to grow in the range of 1% to 3%.

THE HOSPITAL MARKET [3]

The number of **hospital admissions** in Germany in 2018 remained roughly at the previous year's level. 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.

What is known as the change in **value** figure is crucial for the increase in reimbursement for hospital treatments in Germany. For 2021, it was set at 2.53%. 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 the so-called 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 **expectations** with respect to their economic situation vary among the German hospitals: according to the

[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.
Source: Company research

[2] Sources: New ESPEN guideline on clinical nutrition and hydration in geriatrics. Clin Nutr. 2019 by 38(1):10-47; 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

[3] 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.

Krankenhaus Barometer 2020 survey by the German Hospital Institute (DKI), only a quarter (24%) of the hospitals expect their economic situation to improve in 2021, whereas 40% expect it to worsen.

Due to the COVID-19 pandemic, hospitals' **results of operations** could further worsen, as the support measures initiated in 2020 could largely cease again in 2021 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.

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 degree of **digitalization** will play an increasing role in ensuring the sustainability of hospitals. Networking and the use of digital solutions create new opportunities to make processes more efficient and safer, and thus to break new ground in patient care. To promote digitalization in the German health care system, the digital patient file (ePA) will be introduced on a mandatory basis in 2021. This also creates an obligation for hospitals to be connected to the telematics infrastructure (TI), which is intended to standardize and simplify the exchange of data among health care players. Hospitals must then store patient data digitally or make it available via the patient file.

As a result of the **Act to Strengthen Nursing Staff** (Pflegepersonalstärkungsgesetz) (PpSG) a certain amount of financial support will be provided from 2020 onwards for measures that relieve the burden on nursing staff. In addition, the regulations on the binding minimum level for nursing staff, which were suspended in parts in 2020 due to COVID-19, will apply again in 2021. 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. Binding minimum levels for nursing staff could also be introduced in other areas of the hospital. However, there is currently no timetable for the implementation of these further regulations.

In December 2020, the German Hospital Federation (DKG) and the National Association of Statutory Health Insurance Funds (GKV-SV) agreed to narrow the existing definition of nursing costs for 2021 ("Pflegepersonalabgrenzungsvereinbarung"). 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. Helios Germany will consider measures to mitigate consequences for patients and employees and financial impacts. Overall, we expect this regulation to have a negative effect on our earnings.

We expect the **private hospital market in Spain** to continue to grow by 2% to 3% in 2021. 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.

In Spain, the COVID-19 pandemic has not changed the basic mechanisms in the private hospital market and the growth opportunities for private hospital operators. Likewise, the important role that the private hospital operators play in supporting and complementing the overall Spanish healthcare system has become more apparent.

Overall, it can be said that digitalization has become even more important as a result of the COVID-19 pandemic.

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

For 2021, 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 **digitization**. 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.

GROUP SALES AND EARNINGS

Fresenius continues to expect Group sales to grow organically with a compounded annual growth rate (CAGR) of 4% to 7% during 2020 to 2023. Group net income[1,2] is projected to increase organically with a CAGR of 5% to 9% during 2020 to 2023. Fresenius expects its sales growth and efficiency improvement initiatives as well as Fresenius Kabi's biosimilars business to drive an acceleration of Group earnings growth over that period. Small and medium-sized acquisitions are expected to contribute an incremental CAGR of approx. 1%-point to both sales and net income growth.

GROUP FINANCIAL MEDIUM-TERM TARGETS

	CAGR 2020 – 2023
Organic sales growth	4% to 7%
Organic net income growth[1,2]	5% to 9%

[1] Before special items
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA

COVID-19 will continue to impact Fresenius' operations in 2021. Current burdens and constraints caused by COVID-19 are expected to recede only in H2/21. The expected improvement in the Group's relevant business environment from H2/21 is heavily dependent on continuously increasing levels of vaccination coverage. These assumptions are subject to considerable uncertainty.

Fresenius closely monitors the development of COVID-19 case numbers, and the associated various containment measures being enacted in many of the Company's relevant markets. The Group's FY/21 guidance does not reflect any potential further containment measures that could have a significant and direct impact on the health care sector without any appropriate compensation.

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Before special items

GROUP FINANCIAL TARGETS 2021

	Targets 2021 [1]	Fiscal year 2020 [2]
Sales growth (in constant currency)	Low-to-mid single-digit percentage growth	€36,277 m
Net income [3] growth (in constant currency)	At least broadly stable	€1,796 m
Dividend	Further increase intended	Proposal +5% per share

[1] Including expected COVID-19 effects, before special items
[2] Before special items, including COVID-19 effects
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA

FINANCIAL TARGETS BY BUSINESS SEGMENT 2021

	Targets 2021 [1]	Fiscal year 2020 [2]
Fresenius Medical Care [3]		
Sales growth (in constant currency)	Low-to-mid single-digit percentage growth	€17,859 m
Net income [4] growth (in constant currency)	High-teens to mid-twenties percentage decline	€1,359 m
Fresenius Kabi		
Sales growth (organic)	Low-to-mid single-digit percentage growth	€6,976 m
EBIT growth (in constant currency)	Stable to low single-digit percentage growth	€1,095 m
Fresenius Helios		
Sales growth (organic)	Low-to-mid single-digit percentage growth	€9,818 m
EBIT growth (in constant currency)	Mid-to-high single-digit percentage growth	€1,025 m
Fresenius Vamed		
Sales growth (organic)	Mid-to-high single-digit percentage growth	€2,068 m
EBIT	High double-digit € million amount	€29 m

[1] Before special items, including expected COVID-19 effects
[2] Before special items, including COVID-19 effects
[3] These targets are based on the 2020 results excluding the impairment of goodwill and trade names in the Latin America Segment of €195 million. They are inclusive of anticipated COVID-19 effects, in constant currency and exclude special items. Special items include costs related to cost-saving measures and other effects that are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance.
[4] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

SALES AND EARNINGS BY BUSINESS SEGMENT

In 2021, we expect sales and earnings development in our business segments as shown in the table beside.

EXPENSES

For 2021, we do not expect selling, general, and administrative expenses as a percentage of consolidated net sales to change significantly compared to 2020 (2020: 13.7%).

EFFICIENCY AND COST SAVING MEASURES

COVID-19 led and will lead to a shortfall relative to our original expectations in FY/20 and FY/21 as well as to ongoing incremental uncertainty. Fresenius is hence planning to launch group-wide strategic efficiency initiatives to further safeguard the confirmed medium-term targets and sustainably enhance profitability. These initiatives are expected to consist of operational excellence and cost-saving measures, targeted strengthening of future growth areas and portfolio optimizations. They are targeted to result in cost savings of at least €100 million p.a. after tax and minority interest in 2023 with some further potential to increase thereafter. We anticipate that achieving these sustainable efficiencies will require significant up-front expenses. On average for the years 2021 to 2023, those expenses are expected to be in the order of magnitude of €100 million p.a. after tax and minority interest. They will be classified as special items.

LIQUIDITY AND CAPITAL MANAGEMENT

For 2021, we expect an operating cash flow margin in the range of 10% to 12%, lower than in FY/20 due to expected repayments of prepaymets received in FY/20 under the CARES-Act in the United States at Fresenius Medical Care.

In addition, unused credit lines under syndicated or bilateral credit facilities from banks provide us with a sufficient financial cushion.

Financing activities in 2021 are largely geared to refinancing existing financial liabilities maturing in 2021 and 2022. A large part of the 2021 maturities, however, was already pre-financed with the issuance of bonds in 2020. Without further acquisitions, we expect a slight increase of the net debt/EBITDA[1] ratio. By the end of 2021, the ratio is expected to be around the top end of the self-imposed target corridor of 3.0 x to 3.5 x.

INVESTMENTS

In 2021, we expect to invest about 6% of sales in property, plant and equipment. About 45% of the capital expenditure planned will be invested at Fresenius Medical Care, about 23% at Fresenius Kabi, and around 26% at Fresenius Helios. At Fresenius Medical Care, investments will primarily be used for the expansion of production capacity, optimizing production costs, and the establishment of new dialysis clinics.

Fresenius Kabi will primarily invest in expanding and maintaining production facilities, as well as in introducing new manufacturing technologies.

At Fresenius Helios, we will primarily invest in the new buildings, in the modernizing and equipping of existing hospitals, and newly acquired hospitals.

With a share of around 65%, Europe is the regional focus of investment in the planning period. Around 26% of the investments are planned for North America and around 9% for Asia, Latin America and Africa. About 35% of total funds will be invested in Germany.

We assume that the return on operating assets (ROOA) will decrease by 50 to 100 basis points compared to the level of 2020 (2020: 7.3%) and the return on invested capital (ROIC) will decrease by 40 to 70 basis points compared to the level of 2020 (2020: 6.5%).

CAPITAL STRUCTURE

For 2021, we do not expect the equity ratio to change significantly compared to 2020 (2020: 39%). Furthermore, we expect debt in relation to total assets to remain around prior year's level (2020: 39%).

DIVIDEND

The dividend increases provided by Fresenius in the last 27 years show impressive continuity. Our dividend policy aims to align dividends with earnings-per-share growth (before special items) and thus broadly maintains a payout ratio of 20% to 25%. Fresenius intends to increase the dividend for 2021.

[1] Calculated at expected annual average exchange rates, for both net debt and EBITDA; including contributions from signed, but not yet closed acquisitions; excluding further potential acquisitions; before special items

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 due to the complexity and the dynamics of its business. These risks are inevitable consequences of entrepreneurial activities. **Opportunities can only be exploited when there is a willingness to take risks**.

As a provider of products and services for the 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 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 organization and management of the Fresenius Group have a decentralized, regional structure. This enables us to recognize and analyze trends, requirements, and opportunities in the often fragmented markets and to focus our actions accordingly. We are in continuous discussion with research groups and scientific institutions regarding the development of new potential. In addition, we closely monitor our markets and the competition. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the business segments. Anticipated future opportunities for the Fresenius Group are discussed in the **Outlook Report** starting on page 80.

RISK MANAGEMENT

FRESENIUS RISK MANAGEMENT SYSTEM

Risk management is a continuous process. Identifying, controlling, and managing risks are key tools of solid corporate governance. The **Fresenius risk management system** is closely linked to its corporate strategy. Opportunities are not recorded in the risk management system.

Markets are kept under constant observation and close contact is maintained with customers, suppliers, and institutions. These policies allow us to swiftly identify and react to changes in our business environment.

Using standardized processes, risk situations are evaluated regularly and compared with specified requirements. If relevant changes in the risk profile and new risks arise between the regular reporting cycles, these are assessed and reported as part of ad hoc reporting process. If negative developments emerge, responses can be initiated at an early stage.

Responsibilities for **processes flow and process control** have been assigned as follows:

- The business segments and their operational business units are responsible for identifying, assessing, and managing risks.
- The managers responsible are required to report any relevant changes in the risk profile to the Management Board without delay.
- The Management Board of the Fresenius Group has overall responsibility for effective risk management and regularly discusses the current risk situation.
- The Audit Committee of the Supervisory Board monitors the quality and effectiveness of the risk management system every six months.

The risk management system is supported both at Group and business segment level by our **risk controlling** and our **management information system**. Detailed monthly and quarterly reports are used to identify and analyze deviations of actual versus planned business performance. In addition, the risk management system includes a **control system** consisting of organizational security measures as well as internal controls and audits. These measures help us identify significant risks at an early stage so that we can take countermeasures.

The functionality and effectiveness of our risk management system is reviewed regularly by the Audit Committee of the Supervisory Board, the Management Board, and the Internal Audit department of the Group. Conclusions arising from the audits are taken into account in the ongoing refinement of the system, in order to allow prompt reaction to changes in our environment. This system has thus far proved effective. The control system is also regularly reviewed by the Management Board and the Internal Audit department. Moreover, the auditing firm reviews whether the control system set up by the Management Board is suitable for the early identification of risks that would put the going concern of the Company in danger. The insights gained from the audit regarding the internal financial reporting controls and the early risk detection system are also taken into account in the continued development of the system.

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.

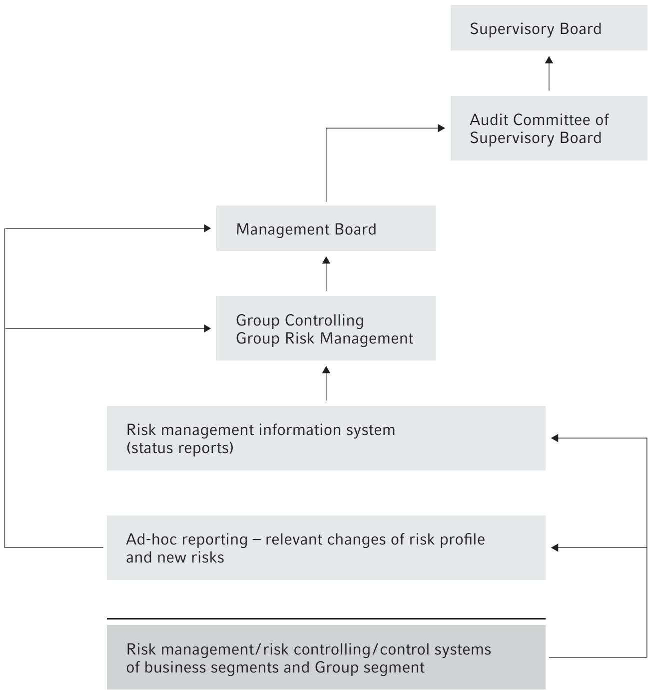
INTERNAL FINANCIAL REPORTING CONTROLS

Fresenius employs a variety of measures and internal controls to ensure the reliability of its accounting processes and the **accuracy of its financial reporting.** This includes the preparation of annual financial statements and consolidated financial statements in accordance with regulations, as well as a management report and group management report. 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 performance indicators 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

STRUCTURE OF THE FRESENIUS RISK MANAGEMENT SYSTEM



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 procedures, are further precautions put in place to assure 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, reference is made to the comprehensive consolidation of internal Group balances. To prevent abuse, we take care to maintain a strict separation of functions. **Management control and evaluations** 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 moreover subject to the controls of Section 404 of the **Sarbanes-Oxley Act**.

RISK AREAS

OVERALL ECONOMIC RISKS AND RISKS DUE TO THE OPERATING FRAMEWORK

At present, despite the COVID-19 pandemic, the **development of the global economy** does not present a going-concern risk to the Fresenius Group. We expect the global economy to recover with the successful control of the

COVID-19 pandemic. Depending on how the pandemic develops, we expect this to be the case in 2021. 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 by governments with regard to potential changes to the current health care programs.

This furthermore applies to the potential impact on our business activities resulting from the United Kingdom's withdrawal from the European Union. We do not expect this to have a material impact on our business.

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

RISKS ASSOCIATED WITH THE COVID-19 PANDEMIC

The rapid global spread of the COVID-19 pandemic and the measures taken to contain it have led to a substantial deterioration in conditions for the global economy and financial markets have been significantly impacted. This development also had a negative impact on our business and operating result in 2020. We expect further negative effects on our business and operating result in 2021, in particular in the first half of the year. The COVID-19 pandemic may also continue to have an adverse effect 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 even higher excess mortality among our dialysis patients, 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 clinics and production sites, and a significant diversion of public health resources away from our products and services to address the COVID-19 pandemic could also negatively impact our business.

U.S. and state governments have taken broad, temporary actions in response to the COVID-19 pandemic that have affected the regulatory and legal environment. These measures include temporary exceptions and changes to certain laws, regulations and government reimbursement and financing programs. For example, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was passed 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 U.S. business. However, these measures cannot fully offset potential 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 especially Fresenius Medical Care's business, financial position and operational results in ways that cannot be quantified or predicted at this time.

Fresenius Medical Care is furthermore experiencing increased mortality among dialysis patients due to the COVID-19 pandemic. During 2020, the company had already reported on the consequences of COVID-19 with sometimes severe impact of the disease on dialysis patients. This trend accelerated significantly in November and December of last year, particularly in North America and EMEA (Europe, Middle East and Africa), resulting in an excess mortality of circa 10,000 patients compared to pre-pandemic levels. The accelerated effects of excess mortality caused by COVID-19 are continuing in 2021. Accordingly, we expect a significant adverse annualization effect on the number of dialysis treatments performed. In addition, this will have an impact on the utilization of the clinic infrastructure and, downstream, on supporting business activities. This may have a negative impact on Fresenius Medical Care's sales and earnings figures. Based on the information and analyses currently available, Fresenius Medical Care expects net income for 2021 to decline in a percentage range of high-teens to mid-twenties, excluding any restructuring measures.

The COVID-19 pandemic has had a significant impact on our hospitals in Germany and Spain, depending on the development of the pandemic at a given time.

Spain was heavily affected during the first COVID-19 wave from March to May 2020. A national state of emergency went into effect on March 14, 2020, and hospitals were not allowed to conduct normal operations. In Germany, the first wave was milder, but the Corona Ordinance prohibited hospitals from handling elective cases. These regulatory measures in both countries had a significant negative impact on our operational results. At Helios Germany, this was largely offset by the rescue package and COVID-19 reimbursements in Germany.

In addition, the COVID-19 pandemic response has several additional economic, social and hospital implications. For example, the minimum distance of 1.5 meters between two hospital beds required for infection control has reduced bed capacity in our hospitals. In addition, travel restrictions have a significant negative effect on the number of international (private) patients in Germany and Spain. In Spain, the weaker economic situation and resulting high unemployment are also leading to fewer privately insured patients. 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 persist in 2021, particularly in the first half of 2021. This will have a negative impact on our hospital business unless there is further and sufficient reimbursement in Germany and Spain.

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, restricted supply chains, disrupted project execution and the construction stops imposed.

The impact on all business segments of the Fresenius Group described here will intensify the longer the COVID-19 pandemic and the measures required to contain it continue, especially considering the newly emerging variants of the virus which increase the uncertainty of the further development of the pandemic.

We have demonstrated our special responsibility of being part of the healthcare system even under the difficult circumstances of the current COVID-19 pandemic. For example, our dialysis clinics and hospitals have taken extensive measures to ensure the continuity of patient care as far as possible. Fresenius Kabi has responded to the significant increase in demand worldwide for important drugs and infusion technology for the treatment of COVID-19 patients, especially for sedation drugs such as propofol, analgesics and infusion pumps. As a result, we have maximized the supply of all appropriate manufacturing capacity 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 and reimbursement systems

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

National insurance systems are financed very differently. 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.

Because a large portion of our sales are generated in the U.S. market, changes in the government **reimbursement system**, in particular in the reimbursement of dialysis treatments, for example, could have a considerable impact on our business. In 2020, approximately 32% of Fresenius Medical Care's sales worldwide were attributable to U.S. federal health care benefit programs, such as **Centers of Medicare and Medicaid Services (CMS)**. Medicare and Medicaid change their reimbursement methods and funding from time to time due to changes in legislation, economic conditions and policy. A reduction in reimbursement rates or reimbursed services could result in significantly lower sales and operational results.

Based on the Budget Control Act of 2011, Medicare has implemented an end-stage renal disease (ESRD) **prospective payment system** (PPS), which expanded the scope of the products and services covered by a bundled 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. The 2% benefit reduction was temporarily suspended from May 1, 2020 through March 31, 2021 due to the COVID-19 pandemic.

In addition, Fresenius Medical Care participates in various value-oriented compensation programs under which we receive fixed compensation to cover all or a defined amount of treatment costs for a defined number of patients:

- Under CMS's Comprehensive ESRD Care Model, dialysis providers and physicians can form what are called ESRD Seamless Care Organizations (ESCOs). The goal is to improve the health of patients with chronic kidney failure while reducing CMS costs. ESCOs that achieve the program's minimum quality requirements and realize reductions in the cost of care for CMS above certain thresholds will be reimbursed a portion of the cost savings. However, ESCOs are also required to share in the risk of cost increases and reimburse CMS for a portion of those increases.
- On January 1, 2021, the treatment choices model for patients with chronic kidney failure (ESRD Treatment Choices Model (ETC model) was started. 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.
- Under the Comprehensive Kidney Care Contracting (CKCC) model, renal health care providers participate by forming an entity known as a Kidney Care Entity (KCE). Through the KCE, renal health care providers take responsibility for the total cost and quality of care for Medicare beneficiaries with CKD stages 4 and 5 as well as Medicare beneficiaries with ESRD. The voluntary models allow KCEs to take on various amounts of financial risk.
- 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 and other legislative initiatives 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. Administration had announced its intention to implement significant changes to currently existing health care delivery programs, including new payment models designed to encourage earlier detection and treatment of kidney disease and to strengthen home dialysis and transplantation. Although 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, the constitutionality of this law is currently reviewed. In addition, variations on restructuring the Medicare program into a defined contribution "premium support" model and converting Medicaid funding into "block grants" or a per capita arrangement that could provide greater flexibility for states are also under consideration.

The U.S. administration also 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, in 2017. 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. We cannot predict how the ongoing litigation in this regard might be determined. As a result, significant increases in insurance premiums and a reduction in the availability of insurance through such exchanges 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 result 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 treatment in the United States is reimbursed by **private health 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 2020, approximately 36% of Fresenius Medical Care's sales from health care services were attributable to private health insurance companies in the North American segment. 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, it would significantly reduce the sales revenues and operating earnings for the products and services of Fresenius Medical Care.

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.

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 system** (Diagnosis-Related Groups) 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 a result of the Act to Strengthen Nursing Staff (PpSG), from 2020, nursing costs will be deducted from the standardized base rates (DRG), and the costs for direct patient care will instead be fully reimbursed by the health insurance companies via separate care budgets. In 2019, each additional or increased nurse position at the bed was completely refinanced by the health insurers. Beginning in 2021, the inclusion criteria for the long-term care budget will change. The allocation of nursing staff to the care budget is adjusted to the current definitions of "nursing specialist" and "nursing assistant"/"other professions" in the Ordinance on the Minimum Requirements for Nursing Personnel in Hospitals (PpUGV). For the 2021 care budget, nursing staff costs for direct patient care in bedside wards are included. Helios Germany is reviewing appropriate measures to limit as far as possible the consequences for patients, employees and the company's economic situation.

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 result 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 for 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 significantly 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. These enable us to keep abreast of developments in alternative treatment methods and to evaluate and adjust our corporate strategy, if necessary.

OPERATING RISKS

Our operational business around the world is exposed to a number of **risks** and to 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, equipment, 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 releases and approvals for new products and product modifications;
- Checks 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 other referral sources;
- Access to, collection, publication, use, and security of health information and other protected data.

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 materially 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

Our quality management systems enable us to ensure compliance with **product specifications and production regulations**. These systems are structured in accordance with the internationally recognized **quality standards ISO 9001 and ISO 13485**, among others, and take into account relevant international and national regulations. They are implemented by 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. These audits test compliance with requirements and regulations in all areas – from management and administration to production and clinical services, all the way to patient satisfaction. Our production facilities comply with the Good Manufacturing Practice (GMP) 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 a regulatory authority identifies deficiencies, Fresenius immediately takes comprehensive and appropriate corrective action, such as in the context of the audits at our Melrose Park production facility in the U.S. in 2020.

Failure to comply with regulatory requirements at our production facilities or at our suppliers could result in regulatory action, including warning letters, product recalls, production interruptions, fines, or delays in the approval of new products. Any of these regulatory actions could adversely affect our business reputation and our ability to generate sales and result in significant expenses.

The global safety officers react promptly and appropriately to potential quality-related issues. They initiate and coordinate necessary actions on a global level, e.g., 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 example, information is obtained from databases for complaints and side effects, internal and external audits, and from key performance indicators used for internal control and optimization of quality processes. These systems enable Fresenius to evaluate the safety profile of any of its products at a global level. Product recalls 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. Where necessary, corrective measures are taken to prevent the cause of the recall in the future.

In addition, changes in requirements and regulations by regulatory authorities affecting our production processes, for example, may lead to lower production volumes or jeopardize production during any transition period.

Furthermore, production could be adversely affected by events such as natural disasters, infrastructure disruptions, regulatory rulings, or supply disruptions, e.g., of raw materials, or technical failures. These risks are minimized, for example, by holding inventories to bridge 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, including 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. Structured hygiene management at Fresenius Helios, for example, is designed to prevent infections within the hospital and to stop their spread 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 risk calculations when preparing quotations. Risks are assessed even before accepting orders and are subsequently updated during regular project controlling. To avert the risk of default, financial measures are taken, such as checking creditworthiness and, as a rule, safeguarding through prepayments, letters of credit, and secured credits.

Further information on our quality management can be found in the separate Group non-financial report starting on page 121.

Procurement

In the procurement sector, potential risks arise mainly from price increases or the lack of availability of raw materials and goods. We counter these risks with an appropriate selection and cooperation with our suppliers, with longer-term framework agreements in certain purchasing segments, and with the bundling of quantities to be procured within the Group.

Another risk lies in the poor quality of externally sourced raw materials, semi-finished products and components. We counter this risk mainly through the precise quality requirements we impose on our suppliers. 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.

Further information on our supply chains can be found in the separate Group non-financial report starting on page 167 ff.

Competition

Growing competition, among other things induced by the reentry of competitors, particularly into the U.S. market, for generic IV drugs after production restrictions, may continue to have a materially adverse effect on the future pricing and sale of our products and services. 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 markets are characterized by price 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 U.S., Fresenius Kabi sells almost all injectable pharmaceutical products through agreements with group purchasing organizations (GPOs) and distributors. The GPOs have also contracted with other manufacturers. The bidding process is very competitive.

If Fresenius Kabi does not succeed in fulfilling and 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 included in the negotiation round of the National Reimbursement Drug List (NRDL), the results of which will take effect in January 2020 and are expected to lead to a significant decline in prices. We also expect new rounds of negotiations to be conducted through National Volume Based Procurement (NVBP) for selected high-volume products. This is likely to be the basis of the new pricing model (in addition to provincial competitive bidding) 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 does not succeed in offsetting these price reductions, for example, through cost savings and efficiency gains in production.

Referrals from doctors

Our hospitals, rehabilitation clinics, and dialysis clinics are dependent on patients selecting them for their medical treatment. Patients rely to a large extent on the recommendation of their attending physician. They make their recommendations based on a variety of factors, including the quality of medical treatment and the competence of clinic staff, as well as the accessibility of a clinic and the availability of treatment appointments. 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 2020, we again worked on the status of our receivables, by taking measures such as factoring.

Human resources

The Company addresses **potential shortages of qualified personnel** through appropriate measures for employer branding, 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 university marketing, company-internal events (such as the Fresenius Career Day "Meet the Board" involving our top management), and digital employer branding (e.g., 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 5,900 apprentices and dual students, Fresenius is one of the biggest training companies in Germany. Fresenius offers 46 apprenticeships and 25 study programs throughout Germany. The number of our apprenticeships and study program offerings was further expanded nationwide. For the first time, the study programs or specializations Management in Medicine, Medical Technology Management and Business Informatics, as well as Data Science were offered in cooperation with the Technical University of Central Hesse and the Baden-Württemberg Cooperative State University, among others.

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 (e.g., the career orientation app Aivy, vocational information days, Night of Apprenticeship, high school student internships, Apprentices' Navigation System). In October, a virtual training fair was held for the first time, which is integrated into the careers website. This trade show format will be offered on a regular basis in the future.

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 their customer and market structure, our business segments adopt different approaches 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 work 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.

Since January 1, 2019, the German hospital market has also been subject to the "Verordnung zur Festlegung von Personaluntergrenzen in pflegeintensiven Bereichen in Krankenhäusern" (PpUGV – Ordinance on the Minimum Requirements for Nursing Personnel in Hospitals). This ordinance stipulates minimum staffing levels for nursing personnel in certain areas of the hospital. Further planned 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 possibility of part-time work), attractive further and advanced training opportunities, occupational health management, and career opportunities.

The Spanish hospital market is also currently being seriously affected by a shortage of qualified nursing staff. Due to the COVID-19 pandemic and the resulting additional demand for nurses, public hospitals have hired more nurses at more attractive rates than in the past. Quirónsalud implements various measures, such as online campaigns and other employer branding measures, to attract new employees. Furthermore, long-term job security and attractive working conditions, for example, should also help to retain existing employees.

Additional information on our measures to recruit, develop, and retain qualified personnel can be found in our separate Group non-financial report from pages 133 ff. onwards.

FINANCIAL RISKS

Currency and interest-rate risks

The international operations of the Fresenius Group expose us to a variety of **currency risks**. In addition, the financing of the business exposes us to certain **interest rate risks**. We use derivative financial instruments as part of our risk management to try to avoid negative impacts of 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. The majority of our transactions are conducted with banks that have a high rating. For further information on the management of currency risk and interest rate risk, please refer to the notes to the consolidated financial statements on page 299 ff.

Our **currency management** is based on a policy approved by the Management Board. It defines the objectives, organization and sequence of 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 correspond to the decision-making structures in the other 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. Hedging transactions using derivatives are carried out by the Corporate Treasury department 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 and interest rate risks**. As of December 31, 2020, 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; consequently, approximately 22% was exposed to interest rate risks. A sensitivity analysis shows that a rise of 0.5 percentage points in the reference rates relevant for Fresenius would have an impact of approximately 1% on Group net income.

As a global company, Fresenius is widely exposed to **translation effects** due to foreign exchange rate fluctuations. The exchange rate of the U.S. dollar to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged.
A sensitivity analysis shows that a one cent change in the exchange rate of the U.S. dollar to the euro would have an annualized effect of about €115 million on Group sales, about €20 million on EBIT, and about €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, 2020, the Fresenius Group's cash flow at risk was €77 million. Hence, 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 €77 million. Further details on financial risks can be found on pages 299 ff. of the Notes.

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. Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are tested for impairment each year. In 2020, Fresenius Medical Care Latin America recorded a goodwill impairment of €195 million. A significant deterioration in our prospects for the future or in the general economic environment could result in additional depreciation being necessary. Further information can be found on pages 234 ff. of the Notes.

Taxes and duties

As a global corporation, Fresenius is subject to numerous tax codes 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 customs, import duties, and trade barriers could lead to higher tax duties payments. For example, based on the election campaign platformprogram of the new U.S. President Joseph Biden, a 4% to 7% increase in corporate tax rates could be implemented in the United States.

Debt and liquidity

Fresenius' debt as of December 31, 2020, was €25,913 million including the lease liabilities according to IFRS 16.
The debt could limit the Company's ability to pay dividends, arrange refinancing, be in compliance with its credit covenants, or implement the corporate strategy. If Fresenius'

credit rating or the conditions on the relevant financial markets deteriorate significantly, financing risks for Fresenius could arise. We reduce these risks through a high proportion of mid- and long-term funding with a balanced maturity profile.

Some of our major financing agreements contain covenants requiring us to comply with certain financial ratios and additional financial criteria. Non-compliance with these covenants could result in a default and acceleration of the debt under the respective agreements. We counteract this risk by taking the relevant performance indicators into account in our Group planning and continuously monitoring their development. This enables us to take countermeasures at an early stage.

Additional information on conditions and maturities can be found on page 263 of the Notes and on page 73 of the Group Management Report.

Inflation risks

As an international company, Fresenius is exposed to varying **inflation rates and price developments**. We are also active in high-inflation countries such as Argentina and Lebanon. Due to the development of inflation in Argentina and Lebanon, our subsidiaries operating there apply IAS 29, Financial Reporting in Hyper-inflationary Economies.

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 the Fresenius Kabi biosimilar products. 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, there is a risk that possible side effects of a product may not be discovered until after it has been approved or registered, so that it has to be withdrawn from the market in whole or in part. This withdrawal may be voluntary or may be based on legal or regulatory action.

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

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. We also 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.

Fresenius Medical Care as well as Fresenius Kabi are subject to typical patent risks. This includes an inadequate protection by patents of the technologies and products that we developed. Competitors may copy our products without bearing comparable research and 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 representations and warranties, and adherence to laws and regulations. Non-compliance with such closing conditions by either party to an acquisition could lead to litigation between the parties or with third parties and thus to 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 with structured and detailed due diligence prior to the acquisition decision and with detailed integration plans and dedicated integration and project management thereafter. This enables us to take countermeasures at an early stage in the event of deviations from expected developments.

RISKS IN THE USE OF INFORMATION TECHNOLOGY

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 systems used to structure procedures and – increasingly – harmonize them internationally, intensifies. 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 new technologies, such as cloud computing, within our business processes, there is a possibility that **cyber incidents** could compromise the confidentiality, integrity, or availability of our internal and external systems.

The loss of sensitive data or the **non-compliance with data protection laws, regulations, and standards** could damage our competitive position, our reputation, and the entire company. Moreover, significant penalties could be imposed against Fresenius or one of its subsidiaries in case 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.

Technological innovations also promise new therapeutic approaches in the treatment of diseases. Finally, IT applications and digital components offer the potential to relieve medical staff and make health care more efficient. Fresenius is also opening up new markets with digital product solutions. At the same time, we take into account the risks involved in digitalization.

To minimize **cyber risks**, we have implemented security architectures and concepts that include preventive and awareness-raising measures. This enables us to detect cyber threats through monitoring mechanisms in our networks and on our end devices, such as desktops, servers, and mobile devices. The security of applications that process sensitive patient or personal data is regularly checked using penetration tests that simulate targeted attacks. Critical systems, such as central communication systems or clinical information systems, are subject to special protection concepts that, for example, offset the failure of a system.

In 2017, the Management Board of Fresenius Management SE adopted the "Cybersecurity Approach, Roadmap and Execution" (CARE) approach. Since 2018, CARE has served as a holistic cybersecurity program that exists alongside the organization and combines cybersecurity initiatives. CARE focuses on strengthening our resilience to protect and defend against cyber attacks.

We generally follow internationally recognized standards for information security, e.g., 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, for example, have ISO/IEC 27001 certification.

We have implemented a Group-wide cybersecurity approach to assessing risks and protecting systems and products: The Group Cybersecurity Policy defines core risks, measures, and principles that guide our actions. The existing cyber governance structure has proven its value: The management of the Group Cybersecurity function chairs the Cybersecurity Board, which includes all cybersecurity officers from the business segments. The committee defines risk-based measures and safety requirements across the Group and facilitates the Group-wide exchange of knowledge and best practices. We will continue to invest in cybersecurity and build our capabilities to improve our resilience to cyber attack threats to our systems and digital products and services.

At the beginning of the reporting year, we redefined numerous roles and responsibilities as part of the implementation of the **new Cybersecurity Policy**. In addition, the Group Cybersecurity Office (GCSO) was established in May 2020 as the central organization for managing cybersecurity at Fresenius SE & Co. KGaA. Further information on our cybersecurity strategy, organization, and measures can be found in our separate Group non-financial report on pages 129 ff.

Our cybersecurity management is reviewed at regular intervals by Internal Audit. In addition, various certification authorities such as the U.S. Food and Drug Administration (FDA) and Germany's TÜV, as well as auditing companies, are involved in the auditing processes of our cybersecurity management.

Fresenius was the target of a deliberate cyber attack in the second quarter of 2020. Cyber criminals succeeded in infecting some IT systems at Fresenius with malware and encrypting data on them. This incident led to temporary disruptions in the IT network and IT-supported internal processes. As a precautionary measure under the safety protocol developed for such cases, steps were taken to prevent the attack's further spread. The situation was brought under control within a few days and further negative impacts were prevented.

In connection with this attack, patient data from dialysis centers in Serbia at Fresenius Medical Care were stolen and published without authorization. The company immediately filed a criminal complaint against the unknown perpetrators and reported the data protection breach to the relevant data protection authorities. The company is cooperating fully with these authorities. In addition, Fresenius Medical Care has informed the patients who were or may be affected by the data theft and its illegal publication. Internal and external specialists are working continuously to prevent further attacks, data theft or the illegal publication of data.

The damage levels of cyber incidents are assessed quantitatively. We did not identify any significant amount of damage in the Fresenius Medical Care cybersecurity incident.

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 with these rules and regulations, which particularly monitor the safety and effectiveness of our medical products and services. Corruption is a core risk area across all business segments. In addition, antitrust law, data protection, money laundering, sanctions and compliance with human rights are further significant risk areas. Therefore, it is of special importance to us that our **compliance programs** and guidelines are 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, we have implemented risk-oriented **Compliance Management Systems** in each of our business segments. These systems take into account the markets in which the 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 relevant business segment's Compliance

Management System. 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. Despite our comprehensive Compliance Program we cannot fully exclude any misconduct of individual employees or business partners that might cause damage to the Company.

Further information about our Compliance Management Systems can be found in the separate Group non-financial report on pages 154 ff.

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. Violations of these regulations or the GDPR can result in high fines as well as reputational damage and loss of trust.

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

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

To comply with all 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 have data protection organizations in accordance with their organizational and business structure. These include appointed independent data protection officers who report to the respective company's management. The interdependence of data protection and IT security or cybersecurity created by increasing internationalization is also taken into account by the data protection organizations by the closest possible cooperation with the relevant departments.

Based on their organizational and business structures, the business segments have implemented processes and standards that also set internal requirements for the secure and appropriate processing of personal data. Furthermore, the individual data protection management systems also include appropriate control measures to enable compliance with regulatory and internal requirements to be adequately checked.

Further information about our data protection organization and Data Protection Management Systems can be found in the separate Group non-financial report on pages 160 ff.

Legal risks

Risks arising in connection with **litigation** or official proceedings are identified, assessed and reported within the Group on an ongoing basis – if necessary, from an applicable materiality threshold. 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 is especially true for legal disputes in the United States, where costs for legal defense and claims for damages can be exceptionally high. Furthermore, legal disputes or official proceedings decided against Fresenius may mean that risks of this kind cannot be insured against in the future or can no longer be insured against on reasonable terms.

The Fresenius Group is involved in various litigation and regulatory proceedings arising from its business activities. However, although the outcome cannot always be reliably predicted, we generally do not expect any material adverse effect on our net assets, financial position, and results of operations from the legal disputes and proceedings currently pending.

Information on litigation and regulatory proceedings which could potentially have a material adverse effect on our financial position, net assets, and operational results can be found on pages 279 to 287 of the Notes.

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, armed conflict, or outbreaks of disease, e.g., pandemics, for instance caused by the coronavirus;
- 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.

More detailed information on environmental management at Fresenius and on assistance in the event of natural disasters and other crises can be found in the separate Group non-financial report on pages 113 ff.

Risks involving management and control systems, were, based on our established risk management and controlling processes, not considered to be significant.

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 coverage for large parts of the Group. Other sub-groups ensure adequate insurance coverage through their own departments. The aim of these efforts is to protect the company's employees and assets against possible hazards within the risk management process and 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.

ASSESSMENT OF OVERALL RISK

The established risk management system is fundamental for the assessment of the Fresenius Group's overall risk position. This system is reviewed by management on a regular basis. 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 and to which we react with appropriate measures, as required. There are currently no recognizable risks regarding future performance that appear to present a long-term and material threat to the Fresenius Group's net assets, financial position, and results of operations. We have created organizational structures that provide all the conditions needed to rapidly alert us to possible risk situations and to be able to take suitable countermeasures.

RISKS AFFECTING THE ONE-YEAR FORECAST PERIOD

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

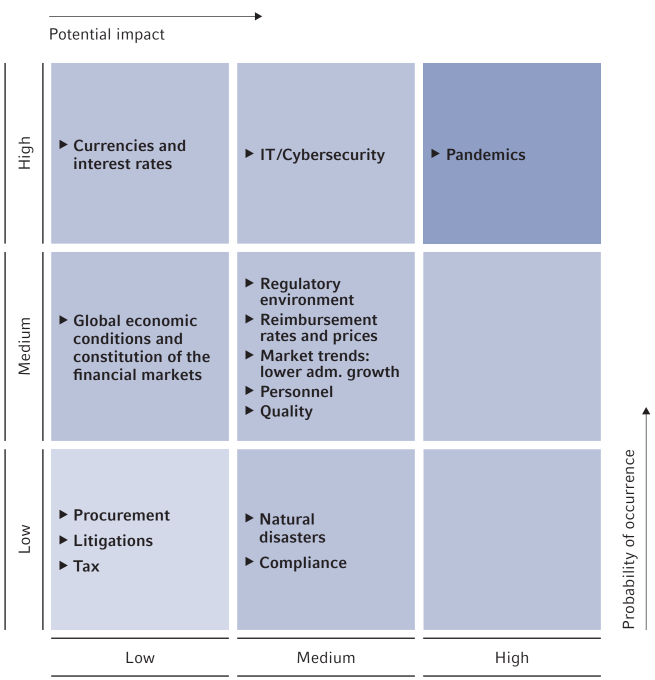
In classifying risk, qualitative assessments are applied first of all, followed by quantitative factors. The scales for the classification of potential impact and probabilities are shown in the tables below the risk matrix. The classification of the probability of occurrence was slightly adjusted compared to the previous year and is based on internal assessment and accounting, in which corresponding provisions must be considered if the probability of occurrence of an event exceeds 50%.

Compared with the previous year, the probability of occurrence and potential impact of a pandemic were increased from medium to high due to developments in connection with the COVID-19 pandemic. In addition, the probability of occurrence of information technology and cybersecurity-related risks was increased from medium to high due to the experience of a sharp rise in cyberattacks. Furthermore, the probability of occurrence of risks related to the quality of our products and services was increased from low to medium based on the changed ranges as well as recent developments, including requirements of healthcare authorities. Otherwise, there have been no changes in the classification and potential impact of risks.

Potential impact	Description of impact
High	Significant negative impact on the one-year forecast
Medium	Moderate negative impact on the one-year forecast
Low	Insignificant negative impact on the one-year forecast

Probability of occurrence	Classification
High	≥ 50%
Medium	≥ 25% to < 50%
Low	< 25%

RISKS AFFECTING THE ONE-YEAR FORECAST PERIOD



EFFECTS ON OUR MEDIUM-TERM GOAL

Fundamentally, all the risk areas and risks listed in the risk report could lead to our failing to achieve our medium-term goal. 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 (Operating risks, see page 95 et seq.);
- Risks arising from the financing of health systems and potential changes in reimbursement systems (see Risks in the health care sector, page 91 et seq.);
- Risks arising from the regulatory environment and compliance with laws and regulations (see General economic risks and risks in the general operating framework, page 89 f.).
- Risks arising from medium- and long-term impacts of the COVID-19 pandemic, such as changes in demand and the cost base (see Risks related to the COVID-19 pandemic, page 90 f.).

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SEPARATE GROUP NON-FINANCIAL REPORT.

We are committed to responsible and sustainable management as part of our corporate culture and day-to-day business practice. We place great importance on fulfilling our legal and ethical responsibility as a company. Only by doing so can we be perceived as a trustworthy and reliable partner in the health care sector.

STRATEGY AND MANAGEMENT

As a health care Group with more than 300,000 employees, Fresenius plays an important role in society. For more than 100 years, our mission has been to preserve life, promote health and improve patients' quality of life – as defined in our company objective – better medicine for more people. The importance of modern and functional health care for society became particularly clear in 2020 as a result of the COVID-19 pandemic. Our employees worldwide have continued to work tirelessly and under sometimes difficult conditions – in clinics, dialysis centers, factories and logistics. In acute care, for example, we have significantly increased the number of intensive care beds and ventilation stations. In addition, the dialysis centers were able to continue to provide safe treatments, even for kidney patients infected with COVID-19. We have consistently ensured the supply of our vital medicines, medical devices and services for critically and chronically ill patients.

For Fresenius, economic success is not an end in itself, but a means of continuously investing in medical progress. The patient's well-being always comes first. It is our point of reference for all business decisions. The common goal of all business segments is to improve health care quality and efficiency. In line with our commitment to the future – forward thinking health care to improve the lives of patients – we aim to provide innovative solutions and work proactively to enable a growing number of people to have access to high-quality, affordable medicine. In conclusion, it is our goal to contribute to medical progress.

In our Code of Conduct, we commit to integrity in dealing with our business associates as well as to socially responsible behavior and transparent communication. The Fresenius Code of Conduct defines basic principles that apply to all employees, executives and the management of the Fresenius Group. It also sets out the framework for the relevant regulations of the individual business segments, and defines our respective activity areas. Further information can be found in the section Compliance and Integrity on pages 154 f.

- We take responsibility for our patients' well-being and are committed to the highest quality in our products, treatments and services.
- We want to do the right thing and comply with all applicable rules and laws. In addition to legal requirements, we adhere to high ethical standards and rules of good corporate governance.
- We largely owe our success and growth to the commitment of our more than 300,000 employees worldwide. Our aim is therefore to be perceived as an attractive employer to acquire talent, retain employees and allow them to develop their skills further in the long term.
- We think and act long-term in our business decisions. It therefore goes without saying that we protect nature as the basis of life and treat resources with care.
- We are committed to respecting human rights as defined by international standards, such as the Declaration of Human Rights of the United Nations.

We analyze the impact of our actions with the help of the 17 Sustainable Development Goals (SDGs) of the United Nations. A particular focus is on the goals of good health and well-being (SDG 3), high-quality education (SDG 4), and decent work and economic growth (SDG 8). In addition, we align our sustainable actions closely to the United Nations Global Compact and the sustainability requirements of the capital market. Further information is available on our website.

THE BUSINESS MODEL

Fresenius is a global health care Group and one of the leaders in the respective markets. The Fresenius Group comprises four independently operating business segments: Fresenius Medical Care is a worldwide leader in the treatment of chronic kidney failure. Fresenius Helios is Europe's largest private hospital chain with clinics in Germany, Spain, and Latin America. Fresenius Kabi provides lifesaving medicines, medical devices, and services for the critically and chronically ill. Fresenius Vamed specializes in health care facilities projects and service business. They are managed by Fresenius SE & Co. KGaA. The Group Management Report on pages 37 ff. contains additional information on the Group's business model and ownership structures, on legal and economic factors, as well as key sales markets and competitive positions.

SUSTAINABILITY RISKS

The identification and assessment of potential sustainability risks (non-financial risks) initially takes place at both the Group level and in the four business segments via the existing risk management system. For this purpose, sustainability risks are assessed that are already covered by the existing risk catalogs and risk reporting of the Fresenius Group. In an additional step, potential sustainability risks are discussed on a quarterly basis at Group level by the corporate functions Corporate Compliance, Group Controlling and Investor Relations & Sustainability of Fresenius SE & Co. KGaA and supplemented if necessary. In the reporting year, we identified potentially relevant sustainability risks that we would like to review regularly in the future, including climate change, water scarcity, and human rights violations, among other risks. In the future, we intend to record and assess sustainability risks across the Group in a more harmonized approach together with financial, legal and compliance risks. This will enable us to achieve an integrated view of our impact on the issues (inside-out perspective) on the one hand and the impact of the issues on Fresenius (outside-in) on the other. This allows us to assess their short-, medium- or long-term financial impact as well as their impact on society and the environment. In the area of human rights, we have already started to do this. Further details are provided on pages 164 ff. of this Non-financial Report.

In 2020, we did not identify any material non-financial risks, taking into account risk mitigating measures (net risk assessment), related to our own business activities, business relationships, products or services that are very likely to have an adverse effect on the non-financial aspects mentioned above or on our business operations. The Group Management Report on pages 88 ff. contains further information on opportunities and risks as well as a detailed presentation of risk management.

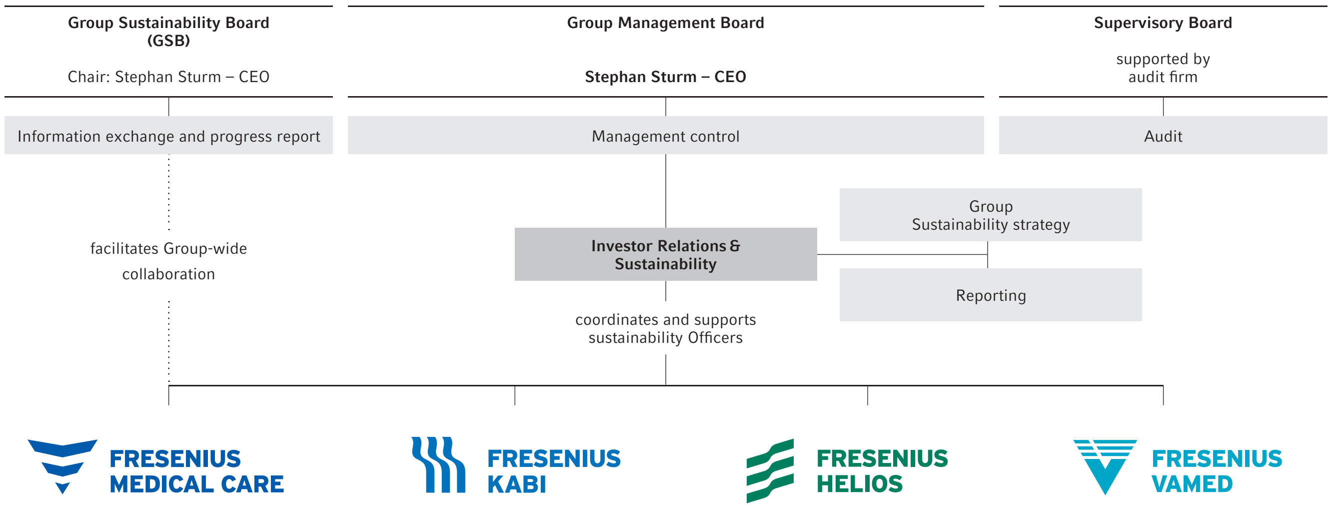
OUR SUSTAINABILITY GOALS

We pursue specific sustainability approaches at the level of the four business segments and Fresenius SE & Co. KGaA. To this end, the business segments each build their own sustainability programs and regularly review how they can further develop and optimize them.

Fresenius Medical Care's Global Sustainability Program reflects the growing requirements for sustainability management and the company's commitment to continuously improve its performance. It defines global targets for eight focus areas in the period from 2020 to 2022. These are derived from the results of a materiality analysis that Fresenius Medical Care carries out to identify the most relevant sustainability topics for its business. The eight focus areas are: patients, employees, anti-corruption and bribery, data protection and privacy, labor and human rights, sustainable supply, environment, and occupational health and safety. The overall objective of the program is to establish common global standards, goals, responsibilities, and key performance indicators for our sustainability performance.

Fresenius Helios, Fresenius Kabi and Fresenius Vamed are in the process of establishing and planning independent sustainability programs. Helios Germany developed its own sustainability initiatives in 2020 on the basis of material topics and requirements and followed a guiding principles process (see also Sustainability Report Helios Kliniken 2019). In the reporting year, Fresenius Kabi discussed on Management Board level how the company's sustainability efforts can be further improved.

FRESENIUS GROUP SUSTAINABILITY ORGANIZATION



At Group level, we discussed in 2020 the extent to which we can integrate sustainability into our Management Board compensation system. Our approach provides for the incorporation of sustainability targets and key performance indicators into the short-term variable compensation of Management Board members from 2021 onwards. We aim to systematically drive forward the core activity areas across the Group.

OUR SUSTAINABILITY ORGANIZATION

Sustainability at Fresenius is the responsibility of the CEO of Fresenius Management SE, as shown in the overview above. Fresenius Management SE is the general partner of Fresenius SE & Co. KGaA. The Group Management Board is regularly informed about sustainability issues by the Investor Relations & Sustainability department of Fresenius SE & Co. KGaA. The Management Board and the Supervisory Board review the progress and the results of the sustainability management, which are then published in the separate Group Non-financial Report. The Supervisory Board is supported in this process by the auditor's limited assurance engagement. Investor Relations & Sustainability coordinates the implementation of sustainability guidelines and standards at operational level and is responsible for the non-financial reporting of the Fresenius Group. Corporate Compliance is responsible for our Code of Conduct and manages issues

MATERIAL CLUSTERS AND TOPICS IN ACCORDANCE WITH GERMAN COMMERCIAL CODE (HGB) SECT. 289C (3)

Social matters	Employee matters	Combating corruption and bribery	Human rights	Environmental matters
Well-being of the patient	**Employees**	**Compliance & Integrity**	**Diversity**	**Environment**
Access to health care and medicine	Working conditions, recruitment & employee participation	Compliance	Diversity and equal opportunities	Water management
Patient & Product safety	Employee development	Data protection	**Compliance & Integrity**	Waste and recycling management
Digital Transformation & Innovation	Occupational health and safety		Human Rights	Climate protection
Digitalization & Innovation				
Cybersecurity				
Supply Chain				

– Material aspects according to HGB ■ Material cluster ■ Material topic

relating to human rights, supply chain, and compliance. Data protection and cybersecurity are independent areas of responsibility. The departments and functions on Fresenius SE & Co. KGaA level support the business segments in the development of guidelines and management concepts relating to these sustainability topics. The business segments have also defined departments and responsible persons – often in the form of sustainability officers who coordinate all sustainability issues within the business segment. Fresenius Medical Care is itself a stock-listed company and has therefore established its own sustainability governance structure. The highest governing body for sustainability issues at Fresenius Medical Care is the Sustainability Decision Board. Co-headed by the CEO, it is responsible for integrating sustainability into the Company's strategy and business. Together with the Sustainability Decision Board, the Management Board decides on strategic initiatives.

THE GROUP SUSTAINABILITY BOARD

In 2020, the first two meetings of the Group Sustainability Board (GSB), which was introduced in 2020, were held under the leadership of CEO Stephan Sturm. The Group Sustainability Board is composed of those responsible for sustainability at Group level and in the business segments and is scheduled to meet every two months.

The Board discusses the future sustainability strategy of the Fresenius Group. The overall goal of the GSB is to identify the most important sustainability issues for the Group and to strengthen intra-Group cooperation.

OUR MATERIALITY ANALYSIS

We identified our main topics in accordance with the HGB in a multi-stage process in the reporting year. Material in this respect are those aspects that are relevant for understanding Fresenius' business performance, results of operations, and position, as well as for understanding the effects of its own business activities on the non-financial aspects. The key topics for the Fresenius Group are explained separately based on the way they are managed in the individual business segments. On topics such as data protection, cybersecurity, compliance, and human rights, we report Group-wide strategies.

MATERIALITY ANALYSIS RESULTS

As a result, we have identified six main topic clusters and 15 individual topics as illustrated on page 110. There are no major changes compared to the main topics of previous years, although they have been defined in more detail. The structure of the chapters in this report reflect the main topic clusters. The various individual topics are assigned to the chapters according to their prioritization, and their management approach is described according to requirements the requirements of GRI and the German Commercial Code (HGB). The online report provides an expanded view with additional information.

STAKEHOLDERS AND PARTNERSHIPS

Fresenius is involved in a diverse network of stakeholder groups. We gain valuable insights from this exchange which we use to continuously develop our quality and sustainability management as well as our reporting procedures. In 2019, we reviewed and prioritized our stakeholders: to this end, existing corporate communication channels, the requirements of sustainability ratings and rankings, and frequent inquiries from investors were evaluated. Our main stakeholders are:

- Patients
- Employees
- Providers
- Private shareholders, institutional investors, analysts and rating agencies
- Political institutions and external organizations, e.g., in the fields of health care and patient care
- Suppliers or other business partners

In their non-financial reports, Fresenius Medical Care and Fresenius Helios in Germany and Spain also include a precise list of the stakeholder groups that are specific to their respective business activities: for example, Fresenius Medical Care includes science and research, while Fresenius Helios considers trade unions.

WELL-BEING OF THE PATIENT

People's life expectancy is rising – and the world's population is growing.[1] These developments make high-quality medical care increasingly important. Fresenius is committed to providing access to health care and medicine to as many people as possible worldwide.

ACCESS TO HEALTH CARE AND MEDICINE

Every year we assume responsibility for the well-being of millions of patients. We offer lifesaving and life-sustaining products and therapies in more than 90 countries. In developing and improving these products and therapies, we take into account different social and regulatory requirements and adapt them to different health care systems. This will enable us to meet the growing global demand for innovative, high-quality therapies.

Our products are often used to treat people who are suffering from serious or chronic diseases. Our task is to ensure the safety and quality of our products and services and to meet the highest safety and quality standards for all processes and therapies.

Our range of products and services includes a comprehensive network of hospitals, the availability of modern dialysis procedures and post-acute care – such as rehabilitation – and high-quality medical products. Our portfolio also includes digital health services, advanced therapies, and the expansion of primary care in emerging and developing countries. The main focus is on the quality of our products and of the medical care we provide our patients.

In 2020, access to health care and medicine was hampered by the COVID-19 pandemic. In these challenging times, we have taken on our special responsibility as part of the health care system with extensive measures. Further information can be found in the Group Management Report on page 38 in this Annual Report 2020 and on page 114 of this report.

OUR APPROACH

Fresenius' long-term goal is to further develop the company's position as one of the leading international providers of health care products and services. In recent years, we have expanded our company along our value chain – increasing the global availability of our products and services.

The constant development of our products and services allows us to take advantage of growth opportunities. We guarantee our patients high-quality, comprehensive health care with our products and in our own facilities, allowing them to benefit from medical progress. Our core business focuses on ensuring that as many people as possible worldwide are able to participate in this progress. This ambition is also reflected in our commitment with regard to the society.

[1] Source: https://www.un.org/development/desa/publications/world-population-prospects-2019-highlights.html

Fresenius Medical Care

Providing access to health care is an important topic and covers a broad range of activities. Fresenius Medical Care supports the development of infrastructure for renal care and cooperates with authorities to offer affordable care to a growing number of patients. Innovative digital services and products also help improve access to health care services and flexibility for patients. In crisis and emergency situations, the business segment benefits from its vertically integrated organization to provide access to health care to patients in need.

Fresenius Kabi

Fresenius Kabi is committed to improving the quality of life of patients. Fresenius Kabi's product portfolio comprises a comprehensive range of I.V. generic drugs, infusion therapies and clinical nutrition products as well as the devices for administering these products. In the field of biosimilars, Fresenius Kabi focuses on autoimmune diseases and oncology. Within transfusion medicine and cell therapies, the company offers products for collection of blood components and extracorporeal therapies. These products and services are used to treat and care for critically and chronically ill patients.

With its comprehensive range of generics and its biosimilars products, Fresenius Kabi offers affordable alternatives and contributes to provide access to modern, high-quality and affordable therapies for patients.

Fresenius Kabi is in regular exchange with the Access to Medicine Foundation, for example with regard to the Antimicrobial Resistance (AMR) Benchmark. In this Benchmark selected manufacturers of generic drugs are regularly evaluated in the categories Appropriate Access, Stewardship and Responsible Manufacturing. Fresenius Kabi scores consistently high and achieved third place in the latest AMR Benchmark 2020 among the companies evaluated in the category of generic drug manufacturers.[1]

Fresenius Helios

Fresenius Helios' acute care hospitals offer the full range of medical services throughout Germany and Spain. Most people can reach a Fresenius Helios hospital in Germany within an hour. The hospitals in Spain and South America acquired in recent years also aim to improve and further expand access to health care in their markets. This international network enables Fresenius Helios to transfer knowledge between two European health care systems: the German system provides health care at a high level that remains affordable. The Spanish health care sector offers more integrated outpatient and inpatient health care, with very high standards of service and patient experience. Particularly in 2020, this network enabled us to learn from each other. For example, an intensive exchange of knowledge took place in the treatment of COVID-19 patients in order to improve treatment outcomes in both countries for the benefit of patients.

Fresenius Vamed

Fresenius Vamed is active worldwide in the planning and construction of health care buildings with the aim of serving patient health and improving access to health care services. Fresenius Vamed also provides worldwide operational management services and technical services with a focus on building, construction, and medical technology, sterile goods supply, information and communication technology, and infrastructure and business services worldwide. This enables us to provide access to high-quality medical care for a growing number of people.

Patient safety is directly dependent on the quality of the treatments or products used and also indirectly on the provision of operational management services. Fresenius Vamed's main goal which also represents an opportunity is to give people around the world access to health care services at all levels of care.

[1] Access to Medicine Foundation – Antimicrobial Resistance Benchmark 2020.

PROGRESS AND MEASURES 2020

Product portfolio

Demand for affordable health care products is growing in emerging markets. To facilitate access to dialysis treatment, Fresenius Medical Care has developed the 4008A dialysis machine which meets high therapy standards while reducing costs for health care systems. At the same time, it is designed to be easy to handle even in challenging infrastructures and remote locations. In 2019, the 4008A dialysis machine was successfully launched in Asian emerging markets, including India, Pakistan, Nepal, and Bangladesh.

Fresenius Kabi is constantly expanding its product range to provide high-quality and affordable health care to more patients. The company continuously expands the availability of its products in established markets as well as in new markets including emerging markets and has launched new products in 2020. Fresenius Kabi, for example, launched the Exilia infusion pump system in 2020, a system in high demand during the COVID-19 pandemic.

In 2020, Helios Germany acquired three Malteser hospitals and affiliated medical care centers in the German cities of Bonn, Duisburg and Krefeld, further improving accessibility to its hospitals. Helios Spain acquired hospitals in Colombia and in Spain the Hospital Nosa Señora dos Ollos Grandes in Lugo. A comprehensive safety concept consisting of ten combined measures ensured that patients, visitors and employees in the clinics were protected against infection in 2020, which was significantly impacted by COVID-19. To ensure safe access to the clinics, mask scanners were introduced in the entrance areas of all Fresenius Helios hospitals and the outpatient centers, which provide feedback via a screen as to whether the mouth/nose protection is being worn correctly. Moreover, all Helios Spain Hospitals are certified as COVID-Safe by an outside certification entity.

Fresenius Vamed is one of the leading private providers of post-acute care in Central Europe, thus strengthening access to the relevant services, especially in the rehabilitation segment. In 2020, the expansion of outpatient rehabilitation services was driven forward. The new outpatient offerings are easy to access and enable in-service utilization of medically necessary rehabilitation services. In Germany, a total of 3 new outpatient rehabilitation clinics were opened in 2020, while in Austria the construction of 5 outpatient rehabilitation clinics continued despite the Corona crisis; these will open for patient operations in 2021. In Switzerland, the Zihlschlacht rehabilitation clinic was expanded with the commissioning of a 4-star superior private clinic for international patients and Swiss private patients.

Patient support in crisis and emergency situations

As a health care Group, we have to be crisis-proof and respond flexibly in all areas: it is our task to enable unrestricted access to our services and seamless care for patients even under difficult conditions. To ensure this, we have established high-performance as well as resilient emergency systems and programs in our business segments.

Fresenius Medical Care operates dialysis facilities in many regions of the world with diverse geographic, social and economic conditions. The business segment serves a vulnerable population of patients who need regular dialysis treatment multiple days a week. To ensure that patients receive their dialysis treatment, even in extreme conditions, Fresenius Medical Care has developed robust emergency response systems. For example, a system of regionally organized emergency response teams is in place to ensure business continuity. In addition to disaster response activities, Fresenius Medical Care repeatedly donates funds, dialysis machines and medical supplies to organizations that urgently require support.

Fresenius Kabi has a crisis team for emergency situations. The crisis team is set up at Management Board level immediately after an event that could lead to a crisis becomes known. The crisis team comprises members of the Management Board, key staff units, and other relevant functions of the business segment and initiates the necessary measures.

In the hospital sector, there are legal requirements for how care is to be organized in the event of an emergency. At Fresenius Helios, for example, emergency power generators ensure that operations or vital therapies, such as artificial respiration, can continue even in the event of a power failure. Fresenius Helios has developed contingency plans as part of its country-specific hospital infrastructure.

At Fresenius Vamed, a structured crisis management system takes immediate effect in crisis situations. It comprises the Management Board, key staff units and the management teams of the lead companies. The crisis team meets as soon as a crisis becomes known and initiates all necessary measures. Fresenius Vamed's facilities have emergency and outage concepts and crisis communication plans in place, which have been drawn up together with the local emergency units. These measures have increased the speed of response to individual COVID-19-related incidents and thus made it possible to provide facilities that were particularly affected with additional protective equipment.

Health care delivery during the COVID-19 pandemic

The COVID-19 pandemic posed major challenges to the global health care system in 2020. For Fresenius as a health care Group and as a company with a very large number of employees as well as patient contact, pandemic protection and prevention are essential. Emergency management plays a key role in this: it enables us to maintain the care of all patients in our health care facilities and ensure the supply of medicines. Based on the legal requirements and regulatory recommendations for the COVID-19 pandemic, our business units implemented numerous measures in response to the pandemic:

The COVID-19 pandemic presented Fresenius Medical Care with an extraordinary challenge in 2020. The business segment established strict safety protocols in its more than 4000 clinics to maintain the provision of essential treatments while reducing the risk of infection for patients and staff. Measures included screening all patients and staff entering the clinics and providing them with personal protective equipment. Fresenius Medical Care also set up isolation centers for infected patients. Under these circumstances, the business segment treated more than 29,000 patients with COVID-19 in North America and rolled out an expanded telehealth platform to support social distancing for both home and in-center patients. Acute kidney injury is common in critically ill COVID-19 patients. Fresenius Medical Care provided hundreds of acute dialysis devices and other supplies to hospitals for emergency treatment. Despite the increased safety measures, Fresenius Medical Care was able to continue producing and delivering life-saving products, even when operations and supply chains were hampered by global restrictions.

Demand for some of Fresenius Kabi's drugs and medical devices has increased significantly due to the COVID-19 pandemic. Fresenius Kabi reacted to this demand early and switched production. This enabled the business segment to use all suitable capacities to expand production volume for these products. Despite the significantly higher production costs for essential drugs used to treat COVID-19 patients, Fresenius Kabi kept prices for these drugs stable during the pandemic.

The measures taken at our Fresenius Helios' hospitals were always carried out in close, continuous consultation with the respective crisis team at Group level and the crisis teams or task forces of the clinics as well as the central and local hospital hygiene departments. In several Helios facilities in Germany, emergency departments had to be closed briefly in 2020. There were also temporary admission suspensions at entire clinics in the reporting year due to frequent coronavirus infections among employees or patients – for example at Helios Klinikum Bad Saarow in October 2020. Apart from these exceptions, health care services were maintained. Scheduled elective procedures were completely suspended in the first wave of the pandemic in spring 2020 due to political requirements on hospitals. In the second wave in fall / winter 2020, hospitals made their own decisions about whether to maintain elective procedures, depending on utilization. In Spain, the emergency rooms were never closed, but scheduled activities were reduced or even suspended as ordered by the authorities. The number of intensive care beds in Germany in spring 2020 was increased from 900 to 1,500; in the fall, the number was increased again to a total of 2,300 beds. During the first wave, the Spanish hospitals temporarily duplicated the number of intensive care beds, and incremented the conventional hospital beds to respond to the elevated number of COVID-19-patients. Fresenius Helios also launched a COVID-19-hotline in Germany in 2020, offering 24-hour telephone advice from 30 experts and receiving around 18,000 calls during the first peak phase of the pandemic alone. Helios Spain uses its corporate social media channel in Spanish language to provide written information or videos on most urgent questions, like hygiene, vaccines or even the impact on family life, as well as information on the impact of appointments in hospitals and the availability of COVID-19 tests in our centers. Further, two hotlines were created, one for general information and recommendations on COVID-19 and a second hotline to attend patients with suspected infection. In total, Helios Spain received around 13,000 calls.

Among other things, Fresenius Vamed created catalogs of measures in which the pandemic experiences of all health care facilities in Austria, Germany, the Czech Republic, the UK, and Switzerland were collected; these catalogs are updated regularly. The experience gained will continue to be incorporated into risk management in the future; it will help Fresenius Vamed to continuously improve its processes and responsible action. Furthermore, a 24/7 information hotline as well as comprehensive and continuously updated information on the Fresenius Vamed intranet "Corona Infocenter" are available to Fresenius Vamed staff for current questions on the pandemic.

Please refer to the Notes to the Consolidated Financial Statements on page 251 f. for further information on assistance programs provided by various governments in the form of reimbursement payments and funding in connection with the COVID-19 pandemic.

Social commitment

The ambition to provide access to health care for as many people as possible worldwide and to continuously improve it is also pursued by our business segments through their social commitment. Fresenius Medical Care's social commitment focuses on regional and local initiatives that support the interests of kidney patients. This includes emergency aid in crisis situations, e.g. through donations of dialysis machines and medical supplies, as well as long-term measures such as Kidney Kid, an initiative to educate children about kidney health at an early age. Fresenius Kabi and Fresenius Helios actively support social causes through donations or employee community engagement, among other things.

PATIENT AND PRODUCT SAFETY

OUR APPROACH

At Fresenius, our aspiration is: better medicine for ever more people. Our commitment to always strive for the highest quality in our products, services, and therapies stems from this. The most important non-financial aspect by which we measure our success is the well-being of our patients. In order to provide patients with the best possible care, we offer them medical treatments and products that meet our strict requirements for quality and safety.

We have established sophisticated processes in all business segments that are fully geared toward the safety of our patients and efficient processes. In the area of quality management, we focus on monitoring, managing and improving these processes by means of performance indicators. The individual business segments adapt their quality management systems to their respective business models and set priorities accordingly. Our quality management systems meet or are based on various standards. International standards such as ISO (International Organization for Standardization) and GMP (Good Manufacturing Practice) are particularly important for our production facilities. In our hospitals and health care facilities, we measure the quality of patient care using various indicators.

Organization and responsibilities

All Fresenius employees must ensure that the applicable quality and safety regulations are always observed in their areas of responsibility. The employees in the production facilities, outpatient centers, and hospitals have a special obligation to exercise due care. The organizational structures are adapted to the requirements of the individual business segments.

Policies and regulations

All four business segments comply with the applicable laws within the framework of quality management.

Our operations are subject to extensive governmental regulation in virtually every country in which we operate. This includes, for example, the EU legislation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Restriction of Hazardous Substances

(RoHS), the Medical Device Directive, the new Medical Device Regulation, and the Code of Federal Regulations (CFR) of the U.S. Food and Drug Administration (FDA).

In addition, the business segments have developed their own comprehensive guidelines. Furthermore, the business segments have voluntarily committed to complying with a wide range of industry obligations and international standards. For example, Fresenius Medical Care respects the industry initiative Kidney Disease: Improving Global Outcomes (KDIGO) foundation, the Kidney Disease Outcome Quality Initiative (KDOQI), the European Renal Best Practice Guidelines (ERBP) and industry-specific clinical benchmarks. Fresenius Kabi's quality management system also takes applicable national and international regulations into account, including Good Clinical Practice (GCP), Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), Guideline on Good Pharmacovigilance Practices (GVP), Medical Device Regulation (MEDDEV; MDR), the Code of Federal Regulations (CFR) of the U.S. Food and Drug Administration (FDA), and the ISO 13485 quality management standard for medical devices. Helios Spain is committed to patient safety and has 24% of the hospitals certified under the quality standard UNE 179003. Fresenius Vamed's facilities in Germany have joined the Qualitätskliniken.de initiative, and meet the requirements of the quality aspect of patient safety.

Fresenius Medical Care

Fresenius Medical Care is committed to delivering safe, high-quality care for patients with chronic illnesses. To live up to this commitment, the company continuously monitors and analyzes the quality performance of its products and services. The company also measures patient satisfaction and takes its patients' feedback into account to improve its services. Fresenius Medical Care is continuously working to expand access to high-quality health care for more patients and further improve the care the company offers. This also involves investing in innovations and new technologies and leveraging insights from scientific research and collaboration with partners.

Fresenius Medical Care produces and delivers a broad range of products for treating kidney disease. With its network of 44 manufacturing sites in more than 20 countries, the company takes care of the procurement, production, distribution, and supply of renal and multi-organ therapy products. The business segment manages the quality and safety of its product business over the entire product life cycle, from design and development, to operation and application.

Fresenius Medical Care's consolidated quality management system is certified according to ISO 9001 and ISO 13485. In addition, the business segment's plants are subject to regular external quality audits and reviews in accordance with local requirements. Of the production sites managed by the Global Manufacturing, Quality and Supply function, 21 sites are certified with ISO 9001/13485. Furthermore, 17 sites have been audited according to the Good Manufacturing Practice (GMP) or the Current Good Manufacturing Practice (cGMP) guidelines. Fresenius Medical Care also successfully completed the Medical Device Single Audit Program (MDSAP) in 10 of its sites as well as for the company's consolidated quality management system. This enabled the company to reach a higher level of efficiency and reduce the cost per audit.

Organization and responsibilities

In 2019, Fresenius Medical Care established the Global Medical Office to coordinate its efforts to advance medical science and patient care. It is part of a network that drives scientific and medical progress worldwide. The Global Medical Office is led by the company's Global Chief Medical Officer, who was appointed to the Management Board in 2020. Key findings of the Global Medical Office are published on a regular basis.

Internal rules of conduct and guidelines

Two global functions are responsible for Fresenius Medical Care's product business: Global Research and Development and Global Manufacturing, Quality and Supply. Both functions report directly to the Management Board. They have jointly developed our Global Quality Policy, which describes our commitment to product and service quality. It also covers our obligation to comply with relevant regulations and maintain environmentally sound and efficient operations. The Global Quality Policy is the basis for regional quality manuals and further detailed policies that describe aspects such as responsibilities, training, risk assessments, and audits. The Management Board is regularly informed about our global quality performance.

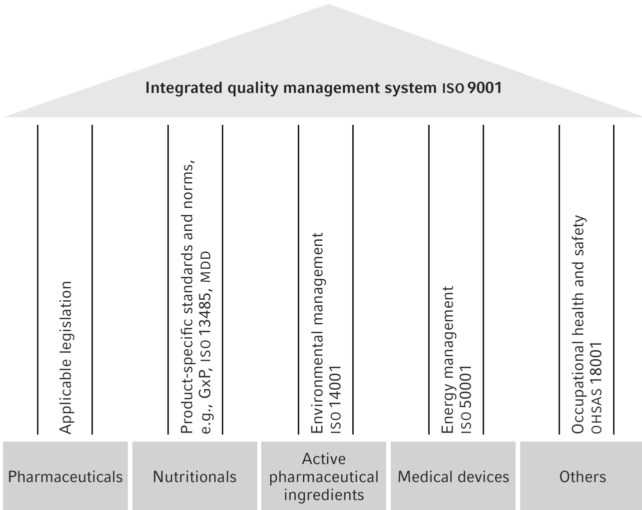
Fresenius Kabi

Fresenius Kabi's corporate philosophy "caring for life" describes the company's commitment to improving the quality of life of its patients. The quality and safety of its products and services is therefore of paramount importance to Fresenius Kabi. An important goal of the quality management at Fresenius Kabi is to monitor the applicability, efficacy, and safety of products and services, as well as the success of therapies, and their continuous improvement. To ensure this, the company has established an integrated quality management system, a monitoring and reporting system, and product risk management.

Fresenius Kabi's quality management system is organized in accordance with the ISO 9001 standard and is binding for all Fresenius Kabi organizations. Compliance with the standard is reviewed by TÜV Süd in annual audits at a global level and covers 115 Fresenius Kabi organizations through a matrix certification

Fresenius Kabi has a global quality management handbook including a global quality policy, as well as standard operating procedures. They are applicable globally and cover all sites. Fresenius Kabi uses a global electronic quality management system, KabiTrack, based on the Trackwise® software, for all quality management processes. The system supports the local implementation of centrally defined processes as well as global oversight.

INTEGRATED QUALITY MANAGEMENT FRESENIUS KABI



Organization and responsibilities

At Fresenius Kabi, the globally responsible quality managers report directly to the respective member of the Management Board. The members of the Management Board are thus directly responsible for quality management. They are regularly informed about quality management in quality oversight meetings and receive quality management reports on a regular basis.

Policies and regulations

Fresenius Kabi has defined the following principles for its quality management:

- Clear assignment of responsibilities
- Qualification and continuous training of employees
- Monitoring of product and patient safety
- Transparent and documented processes and procedures
- Fulfillment of regulatory compliance
- Continuous improvement
- Checking of quality management effectiveness

Fresenius Helios

Helios Germany has developed a quality management system based on three pillars: Measure, Publish, Improve. It is used in a similar form by around 500 hospitals in Germany and Switzerland. This quality management system is based on administrative data (routine data) from patient treatments: the hospitals document each treatment step precisely for later billing with the health insurance companies. For example, this routine data shows whether the healing process takes longer than expected, and whether complications or even a death occurred. It also indicates whether a treatment took a normal course; if mistakes were made, they are reviewed in specific audit procedures (peer reviews). Defined quality indicators (German Inpatient Quality Indicators – G-IQI) are used to measure and monitor the quality of medical outcomes. The outcomes are published. This data allows patients to see, among other things, how often certain treatments are performed in Fresenius Helios hospitals. This gives patients important information on how much experience doctors have in this area and helps them make their own decisions about their treatment. Thanks to its quality and risk management, Helios Germany can continuously monitor key quality parameters and, if necessary, take countermeasures at an early stage.

Helios Spain gears its quality management toward the requirements of recognized international quality standards. All hospitals and centers are certified according to ISO Standard 9001. Further, the certification according to the most relevant international quality standards (Spanish Association for Standardization, UNE) was continued. In addition, hospitals are certified in accordance with of the Joint Commission International (JCI) and the European Foundation for Quality Management (EFQM) standards. In 2020, two further hospitals were awarded the international certification UNE 179003, which means that a total of 12 hospitals in Spain are certified in accordance with this standard. Regarding UNE 179006, the standard for infection control, eight hospitals are already certified. For 2021, we aim to include further three health centers in the JCI certification.

Organization and responsibilities

At Fresenius Helios, the medical director has direct responsibility for patient and product safety; further, the position of a Patient Safety Officer was created. Helios Germany's central medical services and medical specialist groups help to implement the appropriate measures. The leading physicians in a particular field from all Fresenius Helios hospitals in Germany come together in these specialist groups. They ensure that the knowledge of their medical specialty is anchored in all hospitals and represent their respective medical fields internally and externally. They also advise and decide on the introduction of standard processes, sensible innovations, campaigns and the introduction of medical products.

The specialist groups of Helios Germany and Helios Spain exchange ideas and information on specific topics. For example, the German hospitals benefit from Helios Spain's close networking of outpatient and inpatient care – and can take advantage of these experiences.

Policies and regulations

In recent years, Helios Germany has introduced numerous measures to increase patient safety. Checklists are mandatory for all operations in Fresenius Helios' clinics. The "pre" checklist assesses the risks associated with the operation before it takes place. The "peri" checklist helps to avoid treatment errors immediately before, during, and immediately after the operation: this reduces wrong-side errors or surgical material left behind in the body to a minimum.

In 2020, Helios Spain appointed new members to the Corporate Safety Committee with the aim of involving further hospitals and generating new ideas. The committee has remained active throughout the pandemic, not only advising the hospitals in the COVID-19-management but also developing new strategic patient safety protocols. The Patient Safety Strategy developed by this committee was completed in 2020. It is based on the principles of international institutions such as the World Health Organization (WHO) and the JCI.

Fresenius Vamed

Fresenius Vamed aligns its internal processes to established quality standards such as ISO 9001, ISO 14001, and ISO 13485, as well as the EFQM standards. In addition, Fresenius Vamed has certified several health care facilities according to international standards such as JCI, ISO, and QMS-REHA®. These certifications form the basis for the continuous improvement of the processes at Fresenius Vamed.

Organization and responsibilities

In order to raise awareness of quality requirements among employees, Fresenius Vamed employs staff for quality and risk management. These employees report directly to the management. Other quality assurance officers carry out training courses in the various segments, thus integrating all employees in the quality management systems of their facilities. The quality assurance officers can thus ensure that the employees comply with their obligation to exercise due care. Fresenius Vamed informs its employees about its understanding of quality early in the initial training and introductory events. Guidelines are traceably communicated to the relevant areas and departments in writing (e.g. via work instructions from the respective management).

The VAMED International Medical Board (IMB) ensures the exchange of information between Fresenius Vamed physicians from Austria, Germany, the Czech Republic, the United Kingdom, and Switzerland. Within Fresenius Vamed, medical specialist groups and executive conferences coordinate on quality and safety.

Policies and regulations
Fresenius Vamed sets ethical standards through its mission statement as well as through codes such as the Code of Conduct, the Clinical Code of Conduct, and the Code of Conduct for Business Partners. Fresenius Vamed's internal guidelines are based on the regulatory requirements established throughout Europe, e.g. for rehabilitation. In addition to the statutory requirements and the requirements of the insurers, Fresenius Vamed also adheres to international standards such as ISO and EFQM, expert standards, and medical guidelines. All internal guidelines are regularly reviewed and updated as necessary. Employees can obtain information on the guidelines via the intranet.

Our ambitions

Quality targets are determined and reviewed in each business segment based on the defined quality parameters. Further information is provided on pages 121 ff.

In 2020, Fresenius Medical Care developed a global policy on patient care, including a chapter dedicated to patient experience surveys and related processes that are harmonized worldwide. The main goal in doing so is to strengthen the inclusion of patients' feedback. To achieve this, the business segment has set itself targets. In 2021, Fresenius Medical Care endeavors to further roll out its harmonized patient experience survey worldwide and also plans to implement a globally consistent process for making improvements in all countries in which the patient survey is rolled out.

Fresenius Medical Care has set itself the goal of implementing a global quality management system by 2024. As part of its initiative to harmonize our quality systems and processes worldwide, the business segment is planning to introduce a global electronic training system within the next three years.

The overarching goals of Fresenius Kabi's quality management are to ensure the well-being of patients as well as the quality and safety of products, services, and therapies, and to fulfill regulatory requirements.

Helios sets company goals using the E-IQI methodology in Spain and the G-IQI methodology in Germany, making use of comparative measurements, with the benchmark being the German national average as calculated by the Federal Statistical Office. The aim is to be better than the national average for each target. Further quality objectives in our hospitals in Spain relate to patient satisfaction.

Fresenius Vamed defines its quality goals annually with the aid of additional key performance indicators. The findings from complaint, case, and risk management are also incorporated. The goals are reviewed regularly.

PROGRESS AND MEASURES 2020

Clinical efficiency and hygiene management

Improved dialysis treatments
Continuous improvement is an essential prerequisite for enhancing the quality and safety of Fresenius Medical Care's products. Product improvement is defined as a change that focuses on at least one of the following: patient safety and quality, product performance, or customer service. Product improvements are evaluated from the patient's perspective. In 2020, the business segment implemented more than 440 product improvements to its dialysis machines and is planning to extend this KPI to further product groups in 2021.

Fresenius Medical Care also carries out innovations with the aim of continuously improving its portfolio. To enable access to the latest technologies, the business segments invests in research and development and collaborates with external partners, including academic institutions. Fresenius Medical Care also invests in startups that develop products, technologies and therapies in the health care sector.

Hygiene management in hospitals
The aim of Fresenius Helios' hygiene management system is to avoid infections within the hospital and, as quickly as possible when they do occur, to prevent them from spreading. The main focus is on adequate personnel with hygiene specialists and doctors, infection and pathogen monitoring, control of antibiotic consumption, and training of physicians to become antibiotic stewardship (ABS) specialists. The planned antibiotic reporting for clinics in Germany was available for the first time at the end of 2020.

Hygiene management in rehabilitation and nursing care
One of Fresenius Vamed's tasks with regard to hygiene in rehabilitation clinics and nursing facilities is to ensure the highest possible protection for everyone – without restricting individual rehabilitation. Protecting patients from infectious diseases during their stay is a key topic for Fresenius Vamed. Newly established health care facilities follow systematic guidelines from day one to prevent infections breaking out or spreading. Clearly defined procedures are followed and compliance with hygiene regulations is strictly controlled.

Labeling and product and patient information

It is essential for the safety and well-being of our patients that we label our products appropriately, describe our services, and provide necessary further patient information. Each of the four business segments is subject to specific regulatory requirements and standards – depending on the business activity and the market.

Listening to patients is also important when it comes to their choice of therapy. Fresenius Medical Care treats its patients across the full spectrum of chronic kidney disease with the aim of giving them a more informed choice and providing treatment options that best fit their life circumstances. In 2020, for example, Fresenius Medical Care offered home therapy to more than 44,000 peritoneal and hemodialysis patients who choose to be treated in a familiar environment and whose medical condition allows them to do so. In the U.S. alone, the company educated more than 50,000 people living with chronic kidney disease or end-stage kidney disease about home dialysis options with the help of more than 180 internal kidney care experts.

Fresenius Kabi's products are classified, e.g. as pharmaceuticals, nutritional products, active pharmaceutical ingredients, or medical devices, based on global and national regulations and standards. The marketing of these products is subject to various laws and regulations to ensure a complete and fact-based product information. Fresenius Kabi has a global policy and global standard operating procedures for its product information to ensure that they are in accordance with applicable laws and regulations and that the product information on correct use is clear, accurate, and not misleading.

Helios Germany provides information to its patients within its hospitals about the patient admission process with the help of the treatment contract, as well as special information flyers and privacy statements. The therapeutic objective is discussed and evaluated with patients during admission and discharge discussions with the treating physicians. Helios Germany communicates via its online magazine, its website, and in its communication campaigns. In addition, patient information events on specific medical topics are held in all hospitals.

Fresenius Vamed provides information to its patients in different ways – for example, in the patient information folder or in the treatment contract, via information brochures, privacy statements, the house rules, and the mission statement. Welcome lectures and training sessions are also offered. The website is available as a source of information before arrival. The goal of therapy is usually discussed and evaluated with patients during admission and discharge discussions.

Since Fresenius Vamed is also active as an accredited inspection body (ISO 17020) and as a manufacturer of medical gas supply systems (RL93/42 EEC), the business segment is subject to a labeling obligation and information obligation in accordance with RL93/42 EEC and MPG and/or ISO 13485. The accreditation authority uses external audits, for example, to check whether appropriate regulations exist and whether regulatory or normative requirements are complied with.

Training

Training courses for our employees, which guarantee the safety of our patients and products, are an important component of our quality management systems. For example, Helios Germany works with simulation centers to provide training for surgical crisis scenarios. By offering regular training on a global, regional, and local level, Fresenius Kabi ensures that employees are aware of those aspects of the quality management system that are relevant for their daily work. Helios Spain continuously provides training on patient safety, on its quality management systems and on topics which are essential in hospital routine. In 2020, 22 sessions were conducted in the hospital network.

Fresenius Vamed's quality management officers also regularly conduct legally required training courses and quality management training courses. In addition, Fresenius Vamed plans and conducts in-person and online training courses on a wide range of topics.

Further information on employee training can be found in the Employee Development chapter on pages 140 ff.

Product complaints and recalls

Handling product complaints at Fresenius Medical Care
Fresenius Medical Care strives to ensure compliance with legal requirements related to monitoring the adverse effects of drugs – also called pharmacovigilance – and product complaints. To this end, the business segment collects and reviews adverse events and product complaints. In addition to compliance with applicable legal requirements, the company has included the topic of reporting adverse events and product complaints in its Code of Ethics and Business Conduct.

Fresenius Kabi's monitoring and reporting systems
Fresenius Kabi interacts with patients, users, and customers not only in the delivery of products and services, it also monitors the applicability, effectiveness and safety of the products on the market. Fresenius Kabi therefore monitors and evaluates relevant information and feedback on the products, services, and therapies during their use. Fresenius Kabi has set up a monitoring and reporting system (vigilance system) and a product risk management system covering all regions worldwide, in order to be informed about product quality and patient safety issues in a timely manner and deal with them appropriately. These early-warning systems are designed in such a way that trained complaints and safety officers worldwide record complaints and side effects in IT systems and forward messages to experts for review.

Fresenius Kabi's product risk management
The global safety officers react promptly and appropriately to potential quality-related issues. They initiate and coordinate necessary actions on a global level, for example product recalls. With its early-warning system, Fresenius Kabi evaluates any quality-related information from various risk areas to identify risks at an early stage and take corrective and preventive actions. Information is obtained from databases for complaints and side effects, internal and external audits, and from key performance indicators used for internal control and optimization of quality processes. With these systems, Fresenius Kabi can evaluate the safety profile of any of its products at a global level.

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. Where necessary, corrective measures are taken to prevent the cause of the recall in the future.

EVALUATION

Quality evaluation parameters

Quality analyses at Fresenius Medical Care
Fresenius Medical Care evaluates a set of medical indicators on an ongoing basis to measure the quality of care provided in its clinics. The company is currently harmonizing the quality reporting around kidney care to better understand geographic differences.

In 2020, Fresenius Medical Care aimed to maintain the clinical care environment as stable as possible during the worldwide COVID-19 pandemic. The impact of the pandemic was felt in all regions with the most vulnerable population of patients. However, the key clinical quality indicators showed a consistently high quality of care among Fresenius Medical Care's patients.

Fresenius Kabi's vigilance system
The monitoring of adverse reactions or events (side effects) associated with the use of medicinal products is referred to as pharmacovigilance (drug safety). The statutory pharmacovigilance commitments relate to our medicinal products for human use. Similar regulations exist for medical devices. Fresenius Kabi has established various standard operating procedures for the continuous monitoring of the benefit risk ratio of its own products and assesses their successful implementation on the basis of specific indicators.

- Fresenius Kabi collects and assesses reports about individual side effects and reports them to health authorities worldwide according to regulatory requirements. Fresenius Kabi claims to submit all safety reports in accordance with the applicable regulations and therefore strives to report 100% of the Individualized Case Safety Reports (ICSRs) to the authorities in time. For 2020, the worldwide compliance rate was 99.9% (2019: 99.9%). In Europe, in 2020 99.5% (2019: 99.6%) of all adverse reactions were reported to the European Medicines Agency (EMA) in due time.

- In addition, Fresenius Kabi regularly evaluates the benefit-risk ratio of its products based on safety-related information from various sources (e.g. adverse event reports, medical literature). The results of these analyses are submitted to authorities as periodic safety reports. Fresenius Kabi aims to submit all periodic safety reports worldwide to authorities in due time. For 2020, the compliance rate was 99.6% (2019: 99.1%). In Europe, 98.6% of all periodic safety reports were submitted in due time to the European Medicines Agency (EMA) in 2020 (2019: 97.5%).
- According to regulatory requirements, Fresenius Kabi as a pharmaceutical company is obliged to describe its vigilance system in a Pharmacovigilance System Master File (PSMF). Fresenius Kabi uses a global database to collect and evaluate vigilance data on a quarterly basis from all local marketing and sales units. These are compiled in the PSMF. The goal is to receive timely data from all marketing and sales units worldwide. This is documented in the company's vigilance system. For 2020, the compliance rate was 100% (2019: 100%).

Fresenius Kabi's products are subject to labeling requirements. The labeling of the products is checked as part of the regular pharmacovigilance activities and updated if necessary. For example, product labeling is updated if competent authorities, e.g. the Pharmacovigilance Risk Assessment Committee (PRAC) of the European Medicines Agency (EMA) publish relevant information. Fresenius Kabi uses an electronic management system for product labeling to manage the information necessary for labeling and to ensure correctness.

FRESENIUS MEDICAL CARE: QUALITY PARAMETERS BY OPERATING SEGMENT[1]

			North America		Europe, Middle East, Africa		Latin America		Asia-Pacific	
	Description	Possible impact	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Kt/V[2,3] ≥ 1.2	Effectiveness of dialysis: measures how well the body is cleaned of uremic toxins	More days spent in hospital; increased mortality	**97%**	97%	**93%**	94%	**91%**	91%	**94%**	95%
Hemoglobin[4,5,6] = 10 – 12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	Indicator for anemia	**71%**	71%	**82%**	82%	**48%**	50%	**52%**	56%
Calcium[3,8] = 8.4 – 10.2 mg/dl	Measures the patient's nutritional status and mineral balance	Marker for increased mortality	**81%**	81%	**78%**	79%	**73%**	76%	**72%**	74%
Albumin[7,8] ≥ 3.5 g/dl			**80%**	81%	**90%**	89%	**89%**	91%	**91%**	87%
Phosphate[3,8,9] ≤ 5.5 mg/dl			**59%**	60%	**80%**	80%	**76%**	76%	**64%**	63%
Patients without catheter (after 90 days)[10]	Measures the number of patients with vascular access	More days spent in hospital	**79%**	81%	**77%**	78%	**78%**	79%	**81%**	83%
Days in hospital per patient year[11]	Result of complications during dialysis	Restrictions in quality of life	**9.7**	10.3	**7.7**	7.5	**4.0**	4.3	**3.5**	2.6

[1] The numbers for 2020 are based on quality parameters of 90% of our dialysis clinics worldwide. This includes 80% of our clinics in EMEA and 46% of our clinics in Asia-Pacific.
[2] Kt/V provides information about the effectiveness and efficiency of dialysis.
[3] Kidney Disease Outcomes Quality Initiative guidelines.
[4] The hemoglobin value in patients' blood should be kept within a defined range. Hemoglobin is the component of red blood cells that transports oxygen within the human body. An insufficient level of hemoglobin in the blood indicates anemia.
[5] Kidney Disease: Improving Global Outcomes and European Renal Best Practice guidelines.
[6] EMEA data includes patients with Hb > 12 g/dl without erythropoiesis-stimulating agents (ESA).
[7] Certified reference material for human albumin based on specifications from Joint Research Centre of the European Commission (#ERM-DA470k) was obtained to ensure consistent results over time.
[8] Calcium, albumin, and phosphate levels in the blood are indicative of a patient's general nutritional status and point to disorders in the mineral and bone metabolism of patients with chronic kidney disease.
[9] Phosphate specified as mg/dL of phosphorus.
[10] Catheters are associated with a serious risk of infection and an increase in the number of days spent in hospital. Fresenius Medical Care records the number of patients who do not need to use a catheter as a vascular access for dialysis. Where we as the care provider are directly responsible, the proportion of patients with permanent vascular access serves as an indirect quality indicator.
[11] The number of days patients are hospitalized over a 365-day dialysis treatment period per patient. This is relevant for determining the quality of care because more days spent in hospital significantly reduce the quality of life for dialysis patients and are particularly cost-intensive for health care systems.

Relating to the fourth quarter of the respective year

With the help of its vigilance activities, Fresenius Kabi ensures that the patients' safety of its products is always guaranteed, and that the company is able to identify any changes in the benefit-risk ratio at an early stage and react in a timely manner.

HELIOS QUALITY INDICATORS

Germany	2020	2019	2018	2017	2016
Key indicators, total	**> 1,500**	> 1,500	>1,500	>1,500	>1,500
G IQI targets	**45**	46	46	45	46
Targets achieved	**89%**	96%	89%	98%	93%
Peer Reviews	**8**	60	55	69	58

Further information (German language only):https://www.helios-gesundheit.de/qualitaet/

Evaluation of the quality of outcomes at Fresenius Helios

For Fresenius Helios, the quality of medical outcomes is key. It is measured in Germany using the German Inpatient Quality Indicators (G-IQI). Data from the Federal Statistical Office for all hospitals in Germany serves to provide comparative values. Helios Germany has defined specific targets for 45 key G-IQI quality indicators, including, for example, the frequency of interventions and their results. Helios Germany's results are expected to be better than the German average. The year 2020 was exceptional for the hospital landscape and was primarily determined by the pandemic and the treatment of COVID-19 patients.

In Germany, Helios achieved a total of 40 of its 45 Group targets. This corresponds to a quality target achievement of 89% (2019: 96%). In 2020, there were around 13% fewer patients in the clinics than in the previous year, but some of these had a significantly higher degree in illness compared with 2019. Many patients stayed at home, first, because of the nationwide lockdown and the overall stop of surgeries in hospitals in spring, and second, because people overall avoided postponable treatments under the impact of the pandemic. Against this background and despite these effects, Helios nevertheless succeeded in achieving high medical quality results.

Helios Spain has introduced quality indicators that correspond to Germany's G-IQI. For this purpose, numerous indicators have been selected based on the most relevant and common diseases and a cooperation with the Fundación IDIS (Instituto para el Desarrollo e Integración para la Sanidad) was entered into. The aim is to use the Spanish routine medical data to determine the E-IQI (Inpatient Quality Indicators Spain) and to compare it with publicly available data. The results are also compared with the goals of the IQM network. Each hospital publishes its results quarterly in a central IT system. This allows individual hospitals to check whether they deviate from the standards set.

Personalized and individually tailored rehabilitation goals at Fresenius Vamed

Fresenius Vamed uses modern, resource-oriented approaches, such as the ICF concept (International Classification of Functioning, Disability and Health) or the computer-based evaluation system CHES (Computer Based Health Evaluation System). This enables patients to achieve the best possible, evidence-based functional improvement to increase activity and participation in all areas of life, even after severe illness.

In addition, the findings on treatment quality are published, for example, by Fresenius Vamed Germany on the website Qualitätskliniken.de. This allows patients to find out about key quality parameters of the various clinics before they are admitted there.

Patient grievance processes

Grievance mechanisms are another way to get patients' feedback and understand their needs. Fresenius Medical Care has established patient grievance processes in all regions to address topics raised by patients in a timely manner. In 2020, the company harmonized the patient grievance process globally. The harmonization is included in a dedicated chapter of the patient care global policy. Fresenius Medical Care offers patients various channels through which they can express their suggestions and concerns, such as dedicated hotlines and email addresses, complaint and suggestion boxes as well as a web form on the company's website. Patients and their representatives have the option to raise these suggestions and concerns anonymously. Fresenius Medical Care's policies ensure that grievances can be filed without fear of reprisal or denial of services.

Fresenius Helios uses reporting systems for critical events and near-misses in all hospitals. Fresenius Vamed also uses such reporting systems in its health care facilities. In addition, Fresenius Vamed uses systems for suggestions for improvement, material vigilance (material safety), and pharmacovigilance (drug safety).

Patient satisfaction surveys

Surveys of patients are a meaningful and important tool for Fresenius: They enable us to measure, monitor, and improve the quality of our services and patient care.

Patient surveys at Fresenius Medical Care

Fresenius Medical Care measures patients' feedback using patient experience surveys as part of its global patient experience program. Overall responsibility for these surveys lies with specialized regional teams in cooperation with the Global Medical Office, which provides global guidance. The company conducts patient experience surveys at least every other year. The survey results are reviewed to identify strengths as well as opportunities. Fresenius Medical Care's aim is to derive measures to enable more personalized care and improve the quality of services.

Fresenius Medical Care measures patient experience and customer loyalty using the Net Promoter Score (NPS). In 2020, the NPS was 67. The NPS reflects the customer's overall satisfaction with the company's services. In the reporting year, 75% of Fresenius Medical Care's patients answered that they would highly recommend the company's services to a friend. By learning about its patients' willingness to recommend Fresenius Medical Care, the company can compare the services provided by its clinics and turn insights into action. In addition to the NPS, Fresenius Medical Care tracks survey coverage and response rates.

Satisfaction measurement at Fresenius Helios

Helios Germany uses the Helios Service Monitor to measure the satisfaction of inpatients in its hospital locations once a week. Employees at the hospitals conduct short interviews with patients on care and service. The information is collected anonymously. The management of the hospital and other authorized persons receive the monthly survey results. This makes it possible for necessary improvements to be introduced quickly. The Service Monitor is used to reach a total of around 50% of inpatients. The three hospitals acquired in 2020 will introduce the Service Monitor from 2021. In addition, Helios Germany publishes the results ofpatient surveys, further data on medical treatment quality, and hygiene figures on its corporate website www.helios-gesundheit.de (German language only).

In Spain, Fresenius Helios uses the Net Promoter Score (NPS) to get specific feedback from patients who have been treated as inpatients, outpatients, or in emergencies. In 2020, it has been extended to radiology and laboratory. 48 hours after a hospital stay, an e-mail is sent to patients asking if they would recommend the hospital and its services. The results are analyzed centrally for Helios Spain and at a hospital level by type of treatment and treatment area. The goal is to continuously improve the NPS results. The global NPS score has increased over recent years. Due to the COVID-19-pandemic, it was decided to stop the survey process from the end of March to June 2020. Therefore, the NPS in 2020 remained at the previous year's level.

In 2019, Helios Spain identified waiting times and lack of information as the main causes of dissatisfaction among patients. Therefore, the company has implemented a "15/15" target in all hospitals. A patient must get an appointment within 15 days, and the waiting time before the appointment starts must be under 15 minutes. In emergency departments, the maximum waiting time should not exceed 30 minutes.

Measurement of patient satisfaction at Fresenius Vamed

Fresenius Vamed measures patient satisfaction in its health care facilities in a continuous and structured process. The company collects data for this purpose, evaluates it internally, and implements appropriate measures.

Audits

We use different systems to check our quality management systems, depending on the business segment and business activity. All units are subject to regular external and internal audits. Peer reviews in hospitals are carried out if the internal quality targets are not met.

Audits at Fresenius Medical Care

Fresenius Medical Care has defined key performance indicators that help monitor its quality objectives and prevent adverse events before they occur. The company discloses the audit score, which measures its performance in certification audits, and indicates the ratio of major and critical findings to the number of external audits. In 2020, more than 60 certification audits were performed at manufacturing sites that are managed by the Global Manufacturing, Quality and Supply function. The audit score was 0.2 (2019: 0.2). Fresenius Medical Care has set the target not to exceed an audit score of 1.0 per audit to ensure the effectiveness of its quality management systems and certifications. All findings are documented and escalated depending on how critical they are. Fresenius Medical Care determines and implements appropriate corrective and preventive measures.

Audits and inspections at Fresenius Kabi

Fresenius Kabi regularly conducts internal quality audits to ensure the effectiveness of the quality management system and compliance with internal and external standards and requirements. Suppliers of Fresenius Kabi related to manufacturing of products are subject to a qualification process based on the relevance of the delivered material or service. The qualification of suppliers, as well as their recertification, includes regular audits. Inspections by regulatory authorities and audits by independent organizations and customers are performed along the entire value chain at Fresenius Kabi. Whenever these inspections reveal weaknesses or deficiencies, Fresenius Kabi promptly takes steps to deal with them.

In 2020, 59 audits and inspections (2019: 64) were performed at Fresenius Kabi by regulatory authorities or certifying bodies, and 42 global internal audits (2019: 60) were carried out. The external audits and inspections comprised a total of 21 inspections (2019: 24) regarding Good Manufacturing Practices (GMP) by the U.S. Food and Drug Administration (FDA), the Australian Therapeutic Goods Administration (TGA), European regulatory authorities, and Quality System audits from TÜV Süd (notifying body for ISO 9001).

Based on the respective observations, an audit and inspection score is calculated. The score is calculated by addition of the number of critical and major observations identified during GMP inspections by the authorities mentioned above and the number of non-conformities identified during TÜV Süd ISO 9001 audits divided by the overall number of inspections and audits; critical observations, if any, are weighted with a multiplier compared to major observations. The audit and inspection score was at 1.3 in 2020 (2019: 1.5).[1] Observations have been and will be addressed by corrective and preventive actions (CAPAs) and effectiveness checks have been and will be defined. The observations did neither impact the GMP certification nor the ISO 9001 certificate.

In 2020, no events with a material adverse impact were recorded that conflict with our quality management goals.

Peer reviews at Fresenius Helios

Helios Germany analyzes the cases – including treatments and medical routines – in hospitals that fail to meet individual targets, in order to identify and implement improvements. Particularly important are the specific audit procedures in the medical and nursing sectors, the peer reviews – expert discussions of cases. In Germany, specially trained physicians from the hospitals of Helios Germany and from the IQM network cooperate in the peer review. They question statistical abnormalities and search for ways to identify improvements. Their insights are translated into concrete recommendations for action in the hospital with the aim of increasing patient safety. In 2020, Helios Germany conducted a total of 8 peer reviews (2019: 60), due to the impact of the COVID-19 pandemic and the resulting restrictions on hospital operations.

Due to the pandemic, Helios Spain was able to perform only 2 peer reviews online by the end of 2020 (2019: eight). Internally, 23 ISO 9001 audits were conducted at all Helios clinics in Spain. In 2020, Fresenius Helios was the first hospital operator in Spain to certify that the organizational measures and protocols it had implemented were used to prevent and control COVID-19.

Audits and recertification at Fresenius Vamed

To ensure adherence to quality standards, Fresenius Vamed also performs regular internal audits as well as external recertifications. This is done in the certified health care companies as well as in the other facilities of Fresenius Vamed. Quality management audits are carried out there once a year in accordance with the ISO regulations. Internal audits are carried out systematically and cover all business segments and at a minimum those topics that are required by the certified standards – i.e., all quality management processes.

[1] For the calculation of the audit and inspection score, Fresenius Kabi takes into account all information on findings from audits and inspections received by the company before December 31, 2020.

DIGITAL TRANSFORMATION AND INNOVATION

DIGITALIZATION AND INNOVATION

Digitalization plays an increasingly important role for Fresenius – whether in health care facilities or in production. It is a driving force behind the implementation of innovative technologies and treatment concepts and can help us to find solutions to many challenges in the health care sector. For us, the focus is on the opportunities offered by digital solutions. Through innovative, safe, and user-friendly products and systems, we can further improve the quality and efficiency of treatments.

OUR APPROACH

In order to drive digitalization and innovation at Fresenius, we take different approaches in the four business segments – from independent R & D strategies to active innovation management, as described on page 43 in the Group Management Report. We also involve external partners such as research institutions and start-up companies in this work. One of our priorities is developing innovative products that not only meet stringent quality requirements, but also affordability requirements. In doing so, we are responding to the growing demand worldwide for high-quality yet cost-effective products and services. In response to the COVID-19 pandemic, we continued to drive the Group's digital transformation through new processes and solutions implemented at short notice.

Many of our stakeholders, especially our patients and our employees, are directly affected by the changes resulting from progressive digitalization. Our research and development activities are closely linked to digitalization and are an integral part of our growth strategy. Our aim here is to improve products and processes as well as to develop innovative therapies and integrated health care services; however, we do not conduct fundamental research.

All new or improved products and services are subject to our internal quality requirements as well as external regulations and regulatory requirements. In the case of digital developments, we pay particular attention to the requirements of the General Data Protection Regulation (GDPR) of the European Union (EU). We also observe European directives such as the EU Medical Devices Directive (MDD) in the medical technology sector. We address possible risks, such as hacker attacks on sensitive data and systems, by implementing comprehensive cybersecurity concepts, as described in the section on Cybersecurity on pages 129 ff.

Fresenius Medical Care

In order to grow continuously in its core business and move into new business areas, Fresenius Medical Care works with a global R & D strategy and a network of external partners; in particular, the business segment invests in young start-up companies. Among other things, Fresenius Medical Care is developing new technologies for home therapies and is committed to advancing the development of telemedicine applications. These offer great potential for providing patients with clinical care between visits to their doctors and avoiding unnecessary hospital stays. Fresenius Medical Care attaches great importance to carefully addressing ethical issues in all its R & D activities.

Fresenius Medical Care manages worldwide R & D activities centrally in the Global Research and Development (GRD) business segment.

Fresenius Medical Care will focus on shaping the future of health care for chronically and critically ill patients across the entire spectrum of kidney disease. In 2020, for example, Fresenius Medical Care strengthened its position in acute dialysis. The U.S. Food and Drug Administration (FDA) approved Novalung® a cardiopulmonary support system for the treatment of acute lung and heart-lung failure. Fresenius Medical Care also strives to continuously identify new opportunities in value-creating technologies and approaches, for example through the Fresenius Medical Care Ventures Fund.

Fresenius Kabi

As a global health care company that offers lifesaving medicines and technologies for infusion, transfusion, and clinical nutrition, digitalization and innovation are of great importance to Fresenius Kabi. The digitalization of processes is a cornerstone in the development of innovations and an important aspect in effective care for critically and chronically ill patients, as well as in compliance with regulatory requirements on a future-proof basis. Fresenius Kabi develops devices and applications in various medical fields to support its customers' ongoing digitalization.

Fresenius Kabi's development expertise includes all related components, such as the drug raw material, the pharmaceutical formulation, the primary packaging, the devices needed for application of drugs and infusions, and the related production technology. In the field of biosimilars, Fresenius Kabi focuses on autoimmune diseases and oncology.

Fresenius Kabi has standard operating procedures for the development and design of products and for cybersecurity of its devices. The responsibility for innovation and development is anchored in the divisional organizations of the company. Fresenius Kabi continuously addresses advancing technological changes. Employees work together in cross-organizational and cross-functional teams to develop innovative solutions for medical needs.

Fresenius Helios

The potential of digitalization is key for Fresenius Helios to ensure the sustainability of its hospitals and to improve the quality of health care and the service provided to patients.

In 2020, the business segment introduced a new process for managing digitization projects in Germany and established the Helios Digitization Board to manage and centrally evaluate proposals for digitization projects. To this end, ideas are being collected in the clinics and outpatient facilities of Helios Germany and in the Fresenius Group. A clearing function and other committees at Fresenius Helios review the proposals. The Digitization Management Board (DIGI Board) then makes the strategic classification of the digitization projects and, with the help of specialist working groups, the so-called DIGI-AGs (working groups), decides what will be implemented. All digitization projects, including rejected project ideas, are published in the “Helios.Digital” project database via myHelios. The degree of digitalization at hospitals in Germany is measured using the Electronic Medical Record Adoption Model Score (EMRAM Score).

Helios Spain’s IT and process strategy aims to further improve patient interaction by digital means, such as video conferencing rounds and chats, at which patients can present their medical history, as well as protocols and automated tests for specific diagnoses. To ensure that the IT strategy is implemented gradually, the business segment has introduced a competence model called “Digital Stars” at Spanish hospitals. This model is based on three pillars: Digital Customer (patients), Digital Professional (employees) and Digital Organization (administration). For each of the three pillars, key figures have been established to indicate progress in digitalization and acceptance thereof, which, for example, sees data collected for the number of patients making use of digital medical consultations, the number of electronic prescriptions issued by employees, and the number of invoices automatically generated. The business segment evaluates the data on a monthly basis and can thus compare the evolution of digitalization in the various hospitals in Spain.

Fresenius Vamed

Having established Digitalization as a strategic business area, Fresenius Vamed is now undertaking numerous initiatives and projects in this area. For example, patient services for digital assistance systems that support ambient assisted living (AAL) and digital rehabilitation services are being developed. To this end, Fresenius Vamed has set up pilot projects that are being evaluated on an ongoing basis. In the project business, digital solutions known as virtual Building Information Modeling (BIM) concepts are used to simulate and optimize the entire life cycle (planning, development, construction and operation) of a health care facility during the planning phase. Additionally, Fresenius Vamed is also undertaking internal digitalization projects in the areas of project business, high-end services and general operations management. The management of the Digitalization strategic business area regularly reports progress to the Management Board.

PROGRESS AND MEASURES 2020

Digital health care

Connectivity is a key element of Fresenius Medical Care’s development strategy to support the expansion of home therapies. Patients who are in close contact with their clinicians are less likely to be hospitalized. As more patients are treated at home, it is essential for to optimize workflows for clinicians and reduce the burden for patients.

To this end, Fresenius Medical Care launched its Kinexus™ Therapy Management Service (“Kinexus”), a cloud-based home patient management solution, in Chile and the U.S. in 2020. Its features include remote dialysis monitoring, treatment workflow management, personalized prescription programming, and daily treatment reporting to clinicians. Kinexus allows Fresenius Medical Care to improve patients’ home therapy experience and support those caring for them, with the goal of keeping them at home for longer.

Digital product innovations

For Fresenius Medical Care, modern analytical tools open up new opportunities for enhancing and automating the end-to-end delivery of dialysis treatments. They can be used to determine the optimal treatment for individual patients and to automate the respective treatment sequence. Moreover, these tools make it possible to not only evaluate the vital parameters of patients but also to monitor and optimize the functional state of machines or related services. Fresenius Medical Care Data Solutions Care GmbH is working on these approaches and solutions with the aim of allowing physicians to focus even more on patients and the course of the disease itself.

In 2020, Fresenius Kabi introduced radio frequency identification technology (RFID) smart labels for drugs in the United States. Since the fourth quarter of 2020, these RFID smart labels have been used on the market. The smart label enables hospitals to automatically identify, locate, and manage their inventory.

In the area of device products, the company works on solutions for interoperability between pump devices, infusion-specific systems and hospital IT systems in order to improve efficiency and effectiveness in the treatment of patients. Furthermore, devices are constantly being improved with regards to new cybersecurity requirements and insights.

Also, in the area of transfusion medicine and cell therapies, Fresenius Kabi is constantly developing its systems for collecting blood components and using new technologies to increase the efficiency and effectiveness of the systems. They are continuously optimized to support the processing of technical information. In addition, the applications for data management of the networked devices will be expanded to support customers in their digital transformation initiatives.

Digital patient files

A digital file with doctor's letters, findings and complete clinical imaging is available at almost every workstation in the clinics and creates added value for treatment providers and patients. As one of the pioneers in the German health care market, Fresenius Helios has set up a patient portal that now enables patients in around 50% of clinics to access treatment documents, book appointments online, and have video consultations from home. By 2022, other medical data such as nursing documentation and medication will also be available in the digital patient file.

The digital patient file will make many processes more efficient and improve medical quality. One example here is e-medication: electronic prescriptions can be uniquely assigned and tracked by all parties involved – e.g., medical practices and pharmacies – and can also be sent digitally, such that they are not easily lost. Integrated software solutions issue warnings when there are possible interactions with other drugs, which increases patient safety. Patients can make their own decisions on the distribution of information, since they receive key parts of the patient record themselves and can thus maintain an overview.

Online services for patients

TheHub, mycompanion and Telehealth at Fresenius Medical Care

In the United States, Fresenius Medical Care launched its connected health platform TheHub at the end of 2019. This improves collaboration between patients, care teams, and providers via an app. In 2020, more than 1.7 million sessions in the app were documented. In various countries in Europe, Africa, Asia-Pacific and Latin America, Fresenius Medical Care is using the mycompanion app as a new channel to reach our patients. During the COVID-19 pandemic in 2020, telehealth also played a critical role in reducing the exposure risk for patients and health care workers. By enabling virtual contact, Fresenius Medical Care minimized the risk of infection on both sides. At the same time, digitization raises the bar when it comes to protecting patient data.

The Helios patient portal

2019 saw the Helios Patient Portal introduced at Helios Germany hospitals for the first time. It is currently available in 38 of the 86 hospitals and will be available at all sites by the end of 2022. The portal enables patients to view medical letters and reports (among other things) outside of hospital and outpatient department opening hours. There is also the option to go online to book appointments at hospitals and medical centers. Patients can reach the portal via the hospital websites.

Almost three million users already access Helios Spain's patient portal. All Spanish hospitals are connected, with the exception of Hospital Miguel Dominguez, Hospital Costa de la Luz and Son Veri. The connected hospitals benefit from a central data repository and from improved data transmission and coordination. Via the digital portal, patients of Helios

Spain can track the progress of their own clinical treatments and view recommended therapeutic measures. They have direct access to radiological 3D images and can contact their responsible specialists on this basis and interact via web forms. In addition, it is possible to digitally request an appointment for most available examinations as well as to read up on the risks associated with an examination. Before a procedure, patients can also sign a consent form electronically via the portal.

Digital support for treatments

All Fresenius Helios health care facilities have the necessary technical set-up to conduct video consultations, with some hospitals already offering these kinds of appointments on a regular basis, e.g., policlinic Berlin-Buch, where around 70 Fresenius Helios doctors routinely check in with patients online. 1,800 video consultations have already taken place in Germany. In Spain, Helios has conducted 4,500 video consultations and answered 15,000 chat inquiries. Fresenius Helios has also started online consultations in the pre-outpatient sector. The business segment also plans to introduce digital measures to shorten waiting times and ensure continuity in follow-up care. These will enable specialists from Fresenius Helios to accompany patients digitally throughout their treatment path – regardless of whether they are at the hospital or being treated at an outpatient center. Clinical sessions are held online within the network of all Helios Spain hospitals, including Colombia and Perú. In 2020, a total of 22 sessions were held.

Fresenius Vamed is making rehabilitation and after-care services widely accessible to patients with its digital solutions. Telemedical services allow more flexibility, including in terms of location. Fresenius Vamed is making a contribution to improving health care, especially in regions with weak structures, for example. The company has developed digital treatment pathways, evaluated technical solutions and launched pilot projects in the area of digital tele-post-acute aftercare services.

Online boards for digital exchange

Experts at Helios Germany have been using online conferences, referred to as tumor boards, to review oncological findings collectively across locations and disciplines and thus improve medical quality during cancer treatment. This exchange allows them to discuss treatment for cancer patients. Experts from Helios Germany also discuss pathological findings in the context of digital pathology.

EVALUATION

Each Fresenius business segment has its own approach to digitalization and innovation. We are currently developing key performance indicators (KPIs) for digitalization. At Helios Germany, for example, the DIGI Board will carry out testing and assessment using the degree of digitalization measured via EMRAM in the future. Fresenius Vamed, as another example, regularly reviews its management approach using standard controlling processes. In addition, the Digitalization strategic business area collects data and reports regularly on the status of the respective initiatives and projects in the business segment.

Overall, the digitization of processes was driven forward throughout the Fresenius Group in 2020.

CYBERSECURITY

OUR APPROACH

At the Fresenius Group, we pursue a holistic concept for the management of cybersecurity. We bring decision-makers of the Group, i.e., the persons responsible for cybersecurity in the respective departments or business segments, together to develop a common approach, aligned with our strategic goals. We align our strategy with the security requirements of our four business segments and the analysis of cyber risks. This approach is reflected in all security guidelines that are applicable throughout the Group. In 2017, the Management Board of Fresenius Management SE initiated the Cybersecurity Approach, Roadmap and Execution (CARE). Starting in 2018, CARE has served as a holistic cybersecurity program that exists alongside the organization and bundles initiatives. The focus is on strengthening our resilience to prevent and defend against cyber attacks. In addition, with CARE, we ensure a consistent level of security throughout the Group. At the beginning of the reporting year, the Management Board of Fresenius Management SE, as a part of CARE, enacted a Group-wide cybersecurity policy. With this policy, we define the structural and operational organization for global cybersecurity governance in the Fresenius Group, which, among other things, forms the framework of CARE. In this way, our cybersecurity policy ensures that cybersecurity is organizationally anchored throughout the Group.

The Opportunities and Risk Report contains further information on cybersecurity and cyber incidents at Fresenius in 2020, on pages 101 ff.

Organization and responsibilities

The organizational structure

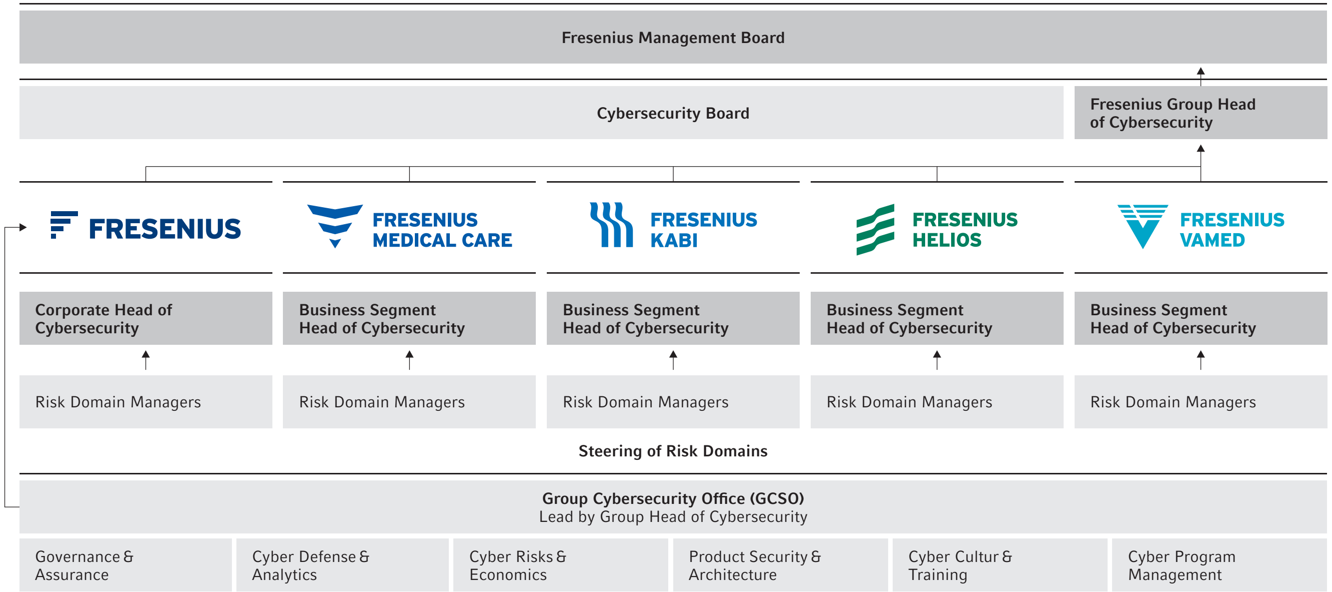
In 2020, we reorganized numerous roles and responsibilities for cybersecurity as part of the implementation of the new Cybersecurity Policy. Since May 2020, the Group Cybersecurity Office (GCSO) is the central organization for managing cybersecurity within the Fresenius Group. It ensures that relevant cybersecurity activities are organized and implemented with individual approaches at the business segment level, monitored and coordinated from a Group perspective. If necessary, the divisions are advised and supported in their activities.

The GCSO is divided into six functions: Cyber Governance & Assurance, Cyber Risk & Economics, Products Security & Architecture, Cyber Defense & Analytics, Cyber Culture & Training and Cyber Program Management. The Cyber Defense & Analytics function is of particular importance: it analyzes cyber threats and defends cyberattacks. It also investigates incidents and develops recommendations for preventive measures to avoid potential cyber incidents in line with risk management.

The Group Head of Cybersecurity leads the GCSO. He has overall responsibility for the governance of cybersecurity within the Fresenius Group. In the business segments, the respective Business Segment Heads of Cybersecurity are responsible for the activities in their area of responsibility. At the level of Fresenius SE & Co. KGaA, the Corporate Head of Cybersecurity is responsible for the individual corporate functions. The Group Head of Cybersecurity defines the Group-wide cybersecurity strategy and coordinates this strategy with respective cybersecurity heads in order to ensure a common approach across all business units.

Fresenius has identified five cybersecurity risk domains throughout the Group: Enterprise IT, Manufacturing IT, Medical Devices, Health Facilities, and People. The risks identified include, for example, interruption to manufacturing or quality management systems, the unauthorized disclosure or manipulation of patients' health data, and the interruption or integrity loss of core enterprise IT systems.

CYBERSECURITY ORGANIZATION



Each risk area is managed by its own Risk Domain Manager – both at Group level and in the four business segments. Among other things, they define cybersecurity requirements and coordinate risk management activities. The Risk Domain Managers are in contact with each other and promote the use of best practices and the exchange of expertise and knowledge across all cybersecurity risk-domains.

At the operational level, the four business segments are responsible for their cybersecurity management. The business segments establish and report on strategic objectives and appropriate strategies for addressing risks. The objectives are based on the Group-wide cybersecurity strategy and are defined independently by the Business Segment Heads of Cybersecurity. They are responsible for implementation in the business segments.

In addition, the cross-divisional Cybersecurity Board meets at least once a month. It consists of the Group Head of Cybersecurity, the Corporate Head of Cybersecurity, and all Business Segment Heads of Cybersecurity. It ensures the exchange of information on the Group-wide cybersecurity strategy between the business segments and Group functions, defines criteria for evaluating and monitoring the development of cybersecurity across the Group, and reviews the progress and results of cybersecurity measures and initiatives. In addition, the Cybersecurity Board monitors the adoption and implementation of the Group-wide cybersecurity policy.

Those responsible for cybersecurity usually have many years of experience in cybersecurity management. They have extensive knowledge and appropriate professional certifications.

The reporting structures

The Group Head of Cybersecurity reports directly to Rachel Empey, Management Board member of Fresenius Management SE. She is informed about cybersecurity-related topics on a weekly basis and as required. The Chief Financial Officers of the business segments, for Fresenius Vamed the member of the Management Board responsible for the service business, meet quarterly in the CARE Steering Committee to organize regular reporting across the business segments. The Risk Domain Managers report to their respective Head of Cybersecurity. The Business Segment Heads of Cybersecurity submit technical reports to the respective member of the CARE Steering Committee. In the future, the Business Segment Heads of Cybersecurity will additionally report to their business segment Management Board on a quarterly basis; the reporting processes are currently being established. In addition, the Data Protection, Enterprise Risk Management and Compliance Departments regularly exchange information on cybersecurity issues.

Guidelines and regulations

Our Cybersecurity Policy Framework consists of a set of policies, requirements and procedures. It forms the foundation for cybersecurity in all business segments and Group functions. Within this framework, we define confidentiality, integrity, and availability as our central objectives for protecting data, technologies, and systems. It was approved by the Management Board of Fresenius Management SE and the management committees of the four business segments.

The new cybersecurity guideline is based on the Fresenius Code of Conduct and follows internationally recognized standards and best practices. It defines the overarching policy structure for cybersecurity in the Fresenius Group. In addition, the GCSO, in cooperation with the four business segments, defines further guidelines for the five cyber risk domains Enterprise IT, Manufacturing IT, Medical Devices, Health Facilities, and People. They establish Group-wide minimum security standards for these risk areas. The four business segments also have specific minimum security standards for cybersecurity management, which take into account specific regulatory requirements or local legislation. Minimum security standards already established in the four business segments are leveraged as Group-wide standards where appropriate.

Our ambitions

The objective of our cybersecurity program CARE, which covers all risk domains, is to increase the maturity level of our cybersecurity capabilities, strengthen our resilience to cyber attacks and continuously reduce our cyber risks. We evaluate the ever-changing threat landscape, define minimum security standards for our cyber risk domains, and implement appropriate security measures in a targeted, risk-based, and cost-effective manner. The Cybersecurity Board annually develops Group-wide and business-unit-specific operational objectives and measures to safeguard the confidentiality, integrity and availability of our data – and to continuously enhance the cybersecurity of our IT infrastructures, manufacturing, health facilities and medical devices. These are coordinated via the Group Head of Cybersecurity and submitted to the CARE Steering Committee established at management board level, and are reported on regularly.

PROGRESS AND MEASURES IN 2020

Risk analysis

In 2020, the GCSO conducted a cyber risk analysis of our business processes. Each business segment identified specific cyber risks. The cyber risks of Fresenius Medical Care and Fresenius Kabi are closely related to production: this includes possible failures of and disruption to central systems, e.g. of manufacturing and quality management systems. Another key risk is the theft of intellectual property, trade secrets, and strategic documents. At Fresenius Helios and Fresenius Vamed, the focus is on patients and medical devices: risks include the potential failure of systems to protect patients and their health information. Other risks include the disclosure or manipulation of patient data, failures in patient treatment due to business disruptions, and the interruption of systems that store and process health data. Based on this cyber risk analysis, we continuously develop our security measures. Our Risk Report contains extensive information on the effects of cyber risks on risk management, see page 101 ff. in our Annual Report 2020.

Security concept

To minimize cyber risks, we have implemented security architectures and concepts that include preventive and detective measures. We are able to detect cyber threats at an early stage by monitoring our networks as well as our endpoints such as desktops, servers, and mobile devices. The security of applications that handle sensitive patient or personal data is regularly reviewed by what are known as penetration tests, which simulate targeted attacks. Critical systems, such as central communication or clinical information systems, are subject to dedicated protection concepts, which can, for example, deal with the failure of a system.

We continuously monitor existing and potential threats using the latest security technologies. Recurring analysis and defense processes are automated in order to be able to react even more efficiently to incidents.

Training

In 2020, we launched the Cybersecurity Training & Awareness Program (CTAP). The goal is to raise the awareness of all Fresenius employees on cyber threats and attacks. In addition to mandatory training on data protection and information security, CTAP offers various courses, games, videos, and other cybersecurity learning content. For example, we use the digital CTAP learning platform to provide information about cyber threats. We regularly simulate phishing attacks to check the effectiveness of the training and to provide users with information on an appropriate response if phishing is suspected. With phishing attackers use websites or e-mails, e.g., to gain access to user data. We calculate a personal risk score for employees based on their behavior in phishing tests and the number of cybersecurity training sessions they have completed. All CTAP activities are tailored toward Fresenius' specific risks and are available in several languages. Participation is currently voluntary. The success of the CTAP measures is measured using predefined success criteria.

The phishing tests carried out in the reporting year 2020 have shown that the intensive training activities have raised security awareness of employees and resulted in a significant increase in the number of reported phishing cases.

In addition, we continuously inform our employees through various channels about current cyber risks and new types of cyber threats. We also organize a Cybersecurity Awareness Month in October each year.

Reporting paths

If Fresenius employees suspect cyber threats, they can contact CERT@Fresenius.com, CyberAware@Fresenius.com, and any cybersecurity employee. Early warnings and alarms via the monitoring mechanisms are automated. In addition, our internal Cyber Emergency Response Team (CERT) investigates possible attacks on our IT infrastructure, manufacturing, and health facilities, suspected violations, as well as reports from affected persons and regulatory authorities.

EVALUATION

Audits and monitoring

Our cybersecurity management is subject to random checks at regular intervals by the Internal Audit department. We continuously monitor and improve the effectiveness of our measures. Our networks, systems, and devices are regularly and comprehensively checked for weaknesses by independent auditors in the course of penetration tests. In addition, various certification authorities such as the U.S. Food and Drug Administration (FDA) or German TÜV, as well as various auditing companies, are involved in the review processes of our cybersecurity management. For security reasons, we cannot make any statements about specific review processes.

EMPLOYEES

The commitment of our more than 300,000 employees worldwide forms the basis of our success. Their achievements, skills, and dedication help our business segments to hold leading positions in their respective markets.

Reporting in this chapter encompasses three categories that we deem essential:

- Working conditions, recruitment, and employee participation
- Employee development
- Occupational health and safety

Further, diversity has been identified as material to our company as well, and is therefore presented on pages 151 ff. of this report.

The importance we attach to personnel issues is also expressed in our structure: the Group Management Board member responsible for law, compliance, insurance, and personnel is responsible for the interests of employees. This Management Board member also holds the position of Labor Relations Director. The business models of each of our four business segments set different operational requirements for the management of key matters. In the following section, we will therefore report on Group-wide as well as segment-specific personnel concepts and measures.

WORKING CONDITIONS, RECRUITMENT, AND EMPLOYEE PARTICIPATION

OUR APPROACH

Working conditions

As an international health care Group, we create various incentives for employees, depending on the country and location. These include flexible working time models or the chance to participate in the company's success via variable compensation models. Particularly in the case of working time models, challenges remain with regard to an employee's function or the local markets. Further information is included in the business segments' reporting.

In recent years, we have established various dialog formats to strengthen communication between management and employees – both at Group level and in the individual business segments. This allows the Management Board to provide employees with information on important issues personally. In addition, we promote our feedback culture and constructive exchange of ideas. We describe our variable compensation models in detail on pages 305 ff. of the Notes.

Recruitment and candidate communication

In order to meet our future demand for qualified specialists, we use a variety of different tools to recruit staff. We monitor our working environment and competitive surroundings closely to identify potential. Furthermore, we are increasingly using digital personnel marketing, organizing our own recruitment events, and presenting the company at career fairs. In recent years, we have significantly broadened our range of personnel marketing activities and expanded our global careers website. In 2020, the market research institute Potentialpark named Fresenius the German company with the best online offering for applicants for the ninth consecutive year.

Employee participation

Exchange with employee representatives

Trust and cooperation between management, employees, and employee representatives is well-established at Fresenius and an integral part of our corporate culture. An open and ongoing dialog between management and employee representatives, as well as unions, is important to us.

Fresenius acts responsibly toward its employees. This includes the commitment to comply with international labor and social standards, which are contained in our Code of Conduct and in the Human Rights Statement. For more information, see pages 164 ff.

Employees liaise with their supervisors, but they can also turn to their human resources or compliance officers, as well as to the works council, their union representatives, or other employee representatives, for assistance. In Europe, about 77% of our employees are covered by a collective bargaining agreement. In some European countries, Fresenius is subject to industry-related collective agreements, e.g., in France, which are binding by law due to the industry to which we are affiliated. If this is not the case, country-specific collective bargaining agreements can be negotiated with local trade unions or comparable social partners.

In European countries, workplace representation bodies are organized according to national law. The business segments have overall responsibility for dealing with local employee representatives and trade unions at country or site level. Our discussions with these representatives focus on local and regional circumstances. Together with the employee representatives, we aim to find tailored solutions to the challenges in the different locations.

Fresenius has also reached an agreement with the European Works Council, making provisions for a structured dialog with the international trade union associations; collective meetings are subsequently held once a year between representatives of the business segments and representatives of the international trade union associations.

Dialog at European level

Fresenius SE & Co. KGaA has a European Works Council (EWC) comprising 20 employee representatives from 13 countries as of December 31, 2020. These individuals come from the EU and EEA (European Economic Area) member states in which Fresenius employs personnel.

The EWC is responsible for the participation of Fresenius employees in cross-border measures, insofar as these have a significant impact on the interests of Fresenius personnel and affect at least two countries within their area of responsibility, such as the relocation or closure of companies or collective redundancies. For example, the management informs and consults with the EWC on the following: the structure and economic and financial situation of the Group, its anticipated growth, employment situation, investments, organizational changes, and the introduction of new work and production processes. The EWC meets once a year, while its executive committee convenes three times a year, in 2020 in hybrid form due to the COVID-19 pandemic. The European trade union federations IndustriALL and the European Federation of Public Service Unions (EPSU) attend the meetings at the invitation of the EWC. The focus topics of the EWC in the past fiscal year were projects in the Group's business segments for reorganization, e.g. in the area of global human resources management, the digital transformation, and compliance matters relating to the Group's human rights declaration. Another focus was on the impact of the COVID-19 pandemic on Fresenius' employees. To this end, an exchange of information took place on the situation in the individual countries. Against the backdrop of the COVID-19 pandemic, and for a limited period of time, an agreement was reached with the EWC on the digital performance of its tasks.

The EWC elects six employee representatives to the Supervisory Board of Fresenius SE & Co. KGaA, to include at least one representative of the trade unions. In order to ensure equal terms of office for all members of the Supervisory Board of Fresenius SE & Co. KGaA, the EWC resolved on a corresponding agreement.

Fresenius Medical Care

Fresenius Medical Care's worldwide team is key to its success as the world's leading dialysis company. In line with its business objectives, the business segment updated its Global People Strategy in 2020. Fresenius Medical Care's aim is to provide an engaging, fair, and trusting work environment for all employees to support their growth and contribution to the company's success. With this background, the Global People Strategy has four priorities: (1) Engage employees; (2) ensure that the right capabilities are available to support our business goals; (3) continuous advancement of the organization; and (4) excellent global human resources (HR) management practices.

Fresenius Medical Care continuously develops its employment standards and HR policies to achieve consistency and transparency in working conditions and provide equal opportunities for its employees. One key element for this is a unified global HR system that supports the business segment's global and local business needs and new ways of working.

Organization and responsibilities

Fresenius Medical Care's global HR function is responsible for the People Strategy and reports directly to Fresenius Medical Care's CEO. The function manages the further development of human resources policies and processes and drives the alignment of HR across all regions and functions.

Policies and regulations

Fresenius Medical Care acts responsibly towards its employees. It is also part of the company's commitment to comply with applicable social and labor standards. Fresenius Medical Care has defined this commitment in its Code of Ethics and Business Conduct and in our global statement on Human Rights, Workplace Rights and Labor and Employment Principles.

Fresenius Kabi

Fresenius Kabi aims to be perceived as an attractive employer around the world in order to attract qualified and motivated talent to the company. It is particularly important to understand regional and local characteristics of the markets and to take these into account when addressing talents on the basis of job profiles. Fresenius Kabi is continuously developing its processes for recruiting employees further and fosters the collaboration between the human resources departments and the divisions. In 2020, Fresenius Kabi adapted its recruiting processes to the particularities of the COVID-19 pandemic and increasingly carried out application and selection processes virtually. In addition, Fresenius Kabi uses social networks to address potential candidates with the close involvement of the communications department. In the past fiscal year, we were able to fill our vacancies as planned.

The company continuously works to offer its employees a modern working environment. The COVID-19 pandemic has accelerated the changes that have already been initiated regarding mobile working and the use of digital communication methods.

Organization and responsibilities

A Center of Expertise Leadership & Talent, Talent Acquisition & Employer Branding, Organizational Development, Diversity & Inclusion (CoE TLO) was set up in 2020 in the global human resources department, which reports directly to the head of global human resources. The Center of Expertise aims to further develop talent acquisition, personnel and organizational development, and talent management, and to strengthen a company-wide learning culture and corresponding structures and offers for promoting talent at Fresenius Kabi.

Policies and regulations

As the basis for the shared understanding of collaboration, Fresenius Kabi has defined company values that have been introduced worldwide. The company values are anchored in both the Code of Conduct and the Quality Management Handbook. They are embodied in the corporate environment and employees maintain a culture of cooperation across national borders, as well as functions and hierarchies.

Fresenius Helios

Helios offers its employees in Germany and Spain the opportunity to work part-time. Unlike many other industries, hospitals need to work around the clock, 365 days a year to ensure patients are cared for. Against this background, flexible working hours do therefore pose certain challenges and require, among other things, that shift systems be redesigned. In addition, Helios Germany offers employees other incentives: e.g. the Helios Plus Card, a private supplementary health insurance for Fresenius Helios employees in the event of inpatient treatment at a Helios clinic, in-house and external training courses, development programs for managers, health prevention programs, access to the Helios Central Library, and employee discounts at fitness studios, among other benefits.

Helios Germany also has to deal with a specific challenge posed by Germany's Ordinance on the Minimum Requirements for Nursing Personnel in Hospitals (Personaluntergrenzen-Verordnung – PpUGV), which has increased the need for nursing personnel, of whom there is a shortage on the labor market, in some areas. The focus of the search for employees is on three areas of action: training of qualified personnel internally, advertising to skilled workers who are not actively looking for a new employer, searching the international labor market. Helios Germany participates in government-led campaigns to recruit personnel on the international labor market, as well as supporting people who have qualified as nurses abroad in their applications or in their searches for language schools.

Helios Spain aims to further expand its position as a leading private provider of health care services. To do so, it needs to attract new employees, retain them, and develop them further. In its human resources policy, Fresenius Spain states that the company's success depends to a large extent on its employees. The guideline also defines the objectives of human resources work: these include transparent internal communication and the development of a program for the ongoing training of employees.

Organization and responsibilities

At Helios Germany, the Central Service for Personnel Recruitment and Development is responsible for recruiting employees. The Central Personnel Management and Collective Bargaining Service is responsible for structuring working conditions under collective agreements and improving the service for employees. Affiliated with this is the Helios supplementary pension fund, which enables Fresenius Helios employees in Germany to invest some of their remuneration in their company pension plan via deferred compensation. The Helios supplementary pension fund is a company-owned pension institution.

Policies and regulations

All Fresenius Helios hospitals are bound by collective agreements, including those in Germany, which are linked to the Helios Group collective agreement, the collective agreement for public service (Tarifvertrag für den öffentlichen Dienst TVöD), or company-specific collective agreements. In Germany, all Fresenius Helios clinics are subject to the current Working Time Act, which in some cases provides for wage reopener clauses for supplementary tariff regulations. The Works Constitution Act, which grants the works councils co-determination rights and control, also has a regulatory effect. The situation with regard to working hours for the individual companies is regularly agreed by the respective company parties on-site.

In Spain, we apply the statutory rate for hospital employees. This ensures attractive working conditions and fair remuneration for employees in line with the market. To tailor our personnel management more efficiently to the needs of our people, we started a company-wide employee survey and expect first results in 2021. Further information can be found on page 138 of this report.

Fresenius Vamed

Fair working conditions are part of Fresenius Vamed's mission statement. Fresenius Vamed's corporate culture is characterized by the diversity of unique people, open dialog, mutual appreciation, respect, caring, clear goals and decisive leadership. The company values, strategies and goals should manifest themselves through open, intensive, and direct communication. The Fresenius Vamed business model is very broad in nature, which places special demands on the recruitment of personnel. The recruiting process is tailored to the individual requirements of the individual positions.

Organization and responsibilities

Human resources work at Fresenius Vamed's entities is managed by the business segments' Human Resources division. Since the general conditions in the individual countries in which Fresenius Vamed is active are very different, the division ensures those responsible in the local countries are actively involved.

Policies and regulations

Fresenius Vamed has put detailed guidelines and standards in place regarding working conditions and working hours. Compliance with these requirements is continually checked. In 2020, new regulations were adopted because of the COVID-19 pandemic, for example, for working from home, for hygiene at the workplace, and for business trips.

PROGRESS AND MEASURES 2020

Flexible working conditions and digitalization

In 2020, Fresenius Kabi expanded the options for flexible working and promoted digital collaboration with the company-wide implementation of additional IT applications. In addition, at its Bad Homburg location, for example, the company began to introduce a new office concept in selected areas that supports flexible and digital work. The work environment of around 100 employees will be redesigned for this purpose. The German Fresenius Kabi subsidiaries developed flexible working time models at the company level and created extended parental leave schemes for which an employer/works council agreement "New Ways of Working" has been concluded in 2020.

In choosing the Loga system, Helios Germany has opted for integrated HR management software that standardizes and digitalizes many HR processes in Fresenius Helios hospitals, be it recruiting, personnel management, payroll accounting, or other processes. All employees have access to this system via an employer self-service portal. This enables them to view digital paychecks and also to plan business trips or similar activities in the future.

Introduction of a uniform scheduling system has already begun in all units. In addition to important improvements to planning and reporting options for Helios Germany, employees gain more transparency on their care schedules, and approval processes have also been simplified, e.g., vacation approval.

Helios Spain currently develops a company-wide dashboard to manage, evaluate and improve the most important personnel KPIs. The dashboard is available to all clinics and enables them to conduct benchmark comparisons. The goal is to provide transparency for all clinics on the most relevant KPIs and enable best-practice sharing on how to improve personnel management in our Spanish hospitals.

Induction of new employees

In our business segments, the induction processes for new employees are in some cases standardized centrally, and are supplemented at the sites by locally relevant measures.

In 2020, Helios Germany further standardized the process used for induction of new employees, and further developed the process for new managers. The aim is to reduce early turnover to a minimum. In what is known as the preboarding process, all new employees receive a digital information booklet about the company. In 2021, new standards will be established, such as an onboarding mentor, structured familiarization concepts, and feedback discussions during the probationary period. Since 2019, new managers have undergone a three-stage program within two years of taking up their posts to analyze and deploy their leadership potential. Another key component of this process is the integration of employees from abroad. This includes language courses and programs to familiarize them quickly with the day-to-day work processes in German hospitals, as well as supporting measures for social integration together with local employees.

Dialog and feedback formats

Fresenius Medical Care

Fresenius Medical Care values the contribution of its employees and are adapts its processes to include their feedback on a continuous basis. The company's global employee engagement surveys are tools to identify strengths as well as opportunities to improve its work environment. Fresenius Medical Care conducts one full employee engagement survey every two years and pulse checks in the years in-between. The company uses the survey results to define and intiate global and local measures, with the aim of further improving engagement levels in the long-term. Based on the results of the 2019 global engagement survey, Fresenius Medical Care initiated various follow-up measures on a global and regional level. The company intensified global communication on this topic and worked out dedicated action plans, among others.

In 2020, the company conducted a pulse survey with more than 16,000 employees worldwide, which revealed that 64% of the participating employees are actively engaged. The employee engagement score is based on three aspects: say (speak positively about Fresenius Medical Care), stay (intend to stay at Fresenius Medical Care), and strive (make an extra effort to promote Fresenius Medical Care). Compared to 2019, the engagement rate improved by eight percentage points. Fresenius Medical Care is planning to conduct the next full global engagement survey in 2021 to further facilitate and build on this feedback.

Fresenius Kabi

Dialog across hierarchical levels is fostered, for example, with the Global Town Hall Meeting. Hosted by Fresenius Kabi's CEO, the event, which is broadcast to the locations around the world, is regularly used to provide information about current company-related developments. As part of the event, employees have the opportunity to address their questions directly to the CEO. A Global Town Hall Meeting was held in 2020. An event planned for the second half of the year could not take place due to the COVID-19 pandemic and was replaced by a video message from the CEO and the invitation to dialog. In addition, a CEO blog that was set up in fiscal year 2020, supports the exchange between the CEO and employees. In 2020, numerous articles on current topics appeared on this blog and reactions from employees have been received. For example, in 2020 a blog post about integrity, respect and diversity was published. Reactions to this were taken as an opportunity to continuously address these topics in the United States. An initiative is being launched to further raise awareness for these topics among the workforce in the United States.

To gain valuable insights into business processes, and to increase employee loyalty to the company, Fresenius Kabi uses regional employee surveys to sustainably increase employee satisfaction. On-site employee surveys are an integral part of local human resources work, and the results of these surveys are important for the company, as they provide it with valuable information that helps to develop a stable and appreciative work environment for employees and to promote their engagement. In the reporting year 2020, the company conducted an employee survey in the United States; the analysis with regards to resulting measures has not yet been completed. Furthermore, in 2020, Fresenius Kabi started preparing a global employee survey, which is envisaged to be carried out in 2021.

Fresenius Helios

Helios Germany generally offers appraisal interviews to all employees. From these employee discussions, as well as from other dialog formats, it became evident how important it is for employees in the nursing division for well-functioning, integrated teams to be maintained. This aspect should be taken into account in cases of internal restructuring in particular. Fresenius Spain, meanwhile, conducts employee satisfaction surveys. In 2020, a project was initiated in Spain to conduct a company-wide survey. The aim is to use a standardized questionnaire to monitor employee satisfaction at all sites in a structured manner. The survey will take place anonymously. Due to the impact of COVID-19, the schedule has been delayed. The survey has now been launched in January 2021.

Fresenius Vamed

Appraisal interviews are an essential part of Fresenius Vamed's management culture. In addition to essential insights and measures for further successful cooperation, the necessary training and further education requirements also result from the detailed discussions. These are summarized in a training plan, on the basis of which the corresponding training and continuing education program is drawn up. This ranges from specialist training in the health care sector and personality-building seminars to customized language training and IT seminars.

EVALUATION

At the end of the 2020 fiscal year, the Fresenius Group had 311,269 employees. That was 17,135 or 6% more than in the previous year (December 31, 2019: 294,134). In terms of FTE (full-time equivalents), this also represented a 6% increase at the Fresenius Group.

The regional distribution is as follows: About 31% of employees are employed in Germany, 25% in the rest of Europe and 24% in North America.

Our distribution of employees by function remained largely unchanged in 2020: about 14% of the workforce was employed in the production sector, and 71% in the services sector. Our personnel structure was thus stable in terms of development. The high proportion of service personnel is mainly due to the large number of nurses in our health care facilities.

The rate of new hires[1, 2] in relation to the overall number of employees in each business segment is evidence of our efforts within recruitment.

The length of service within the Group can vary with acquisitions in the business segments. In 2020, the average was 8.2 years and remained close to the previous year´s level of 8.1 years on average.

In 2020, the proportion of employees who voluntarily left the company[1, 3] was 9.8% (2019: 11.0%) Contributing to this development were, on the one hand, the uncertainty in the labor market associated with the COVID-19 pandemic, but also the measures taken in recent years to retain employees. Further information can be found on page 135 ff. of the Group Non-financial Report.

EMPLOYEES (FTE) BY BUSINESS SEGMENT

	2020	2019	2018	2017	2016
Fresenius Medical Care	**125,364**	120,659	112,658	114,000	109,319
Fresenius Kabi	**39,032**	38,264	36,423	34,923	33,476
Helios Germany[1]	**57,143**	53,423	51,429	57,719	56,596
Helios Spanien	**39,753**	34,634	31,094	29,087	n. a.
Fresenius Vamed	**15,364**	14,770	13,665	7,215	6,909
Corporate/Other	**1,166**	1,154	1,060	969	889
Total (FTE) as of Dec. 31	**277,822**	262,904	246,329	243,913	207,189

[1] FTE: Number of employees converted to the full collectively agreed working time on monthly average (Vollkräfte)

EMPLOYEES (HEADCOUNT) BY REGION

	2020	2019	2018	2017	2016
Europe	**174,835**	165,862	158,939	154,172	119,434
thereof Germany	**96,915**	91,014	88,086	86,613	84,165
Europe excl. Germany	**77,920**	74,848	70,853	67,559	35,269
North America	**75,837**	74,894	72,672	75,083	72,803
Asia-Pacific	**27,805**	27,457	25,575	24,381	22,441
Latin America	**30,871**	23,998	17,610	17,709	16,283
Africa	**1,921**	1,923	1,954	1,904	1,912
Total as at Dec. 31	**311,269**	294,134	276,750	273,249	232,873

NEW HIRES[1, 2]

in %	2020	2019	2018	2017	2016
Fresenius Medical Care	23.1	24.7	21.7	n. a.	n. a.
Fresenius Kabi	13.5	17.1	16.9	19.8	19.0
Helios Germany	14.3	15.4	16.0	19.8	14.2
Helios Spain	25.5	20.1	27.6	n. a.	n. a.
Fresenius Vamed	18.4	17.8	22.5	11.0	n. a.
Corporate/Other	6.1	11.2	12.5	9.7	9.6

[1] Fresenius Medical Care's 2017 data reflects country data representing 96% of all employees. Helios Germany's data for 2016 and 2017 includes the post-acute care business in Germany. Fresenius Vamed's data for 2017 also includes temporary staff and, as of 2018, the German post-acute care business transferred from Fresenius Helios to Fresenius Vamed. The data from Helios Spain does not yet contain the recently acquired hospitals in Latin America.
[2] Calculated as the number of external hires in a business segment within the reporting period, relative to the number of employees at year-end.
[3] Calculated as the number of employees who left the organization voluntarily in relation to the number of employees at the end of the year.

The proportion of female employees in the Fresenius Group remained unchanged at 68% as at December 31, 2020. The proportion of females in services or care is higher than in the area of production. This is reflected in the proportion of female employees in our business segments. The number of female participants in the Group-wide Long Term Incentive Plan (LTIP 2018) is a good indication for the share of women in management positions worldwide. According to this, the ratio of women among the 1,700 top executives was 32% as at December 31, 2020.

The average age[1] of Group employees was 41.6 years (2019: 41.0 years). The majority (55%) of our employees are between 30 and 50 years of age. We aim to maintain a well-balanced age structure within our Group. The distribution reflects the demand for a high proportion of skilled and experienced employees in our business segments.

EMPLOYEE DEVELOPMENT

OUR APPROACH

We offer our employees the opportunity to develop professionally in a dynamic international environment. Our four business segments use different concepts and measures for personnel development – depending on their own customer and market structure. They constantly adapt their approach to current trends and requirements. In addition to Group-wide mandatory training courses on the respective Codes of Conduct, there are mandatory training courses on quality management, environmental management and occupational health and safety in the business segments. Digitalization is also playing an increasingly important role in the daily work done by our employees, which we explain on pages 126 ff.

AVERAGE LENGTH OF SERVICE[1]

in years	**2020**	2019	2018	2017	2016
Fresenius Medical Care	**7.3**	6.8	7.1	7.0	n. a.
Fresenius Kabi	**7.9**	8.6	7.5	7.4	7.6
Helios Germany	**10.3**	10.6	10.8	10.5	10.8
Helios Spain	**8.2**	8.4	8.2	n. a.	n. a.
Fresenius Vamed	**7.7**	6.9	7.8	6.1	6.0
Corporate/Other	**7.5**	7.3	7.3	7.6	7.6
Total	**8.2**	8.1	8.2	8.1	8.4

VOLUNTARY TURNOVER[1,2]

in %	**2020**	2019	2018	2017	2016
Fresenius Medical Care	**11.9**	14.3	13.2	12.2	n. a.
Fresenius Kabi	**7.1**	9.2	9.4	11.3	10.7
Helios Germany	**8.3**	9.1	6.9	6.0	5.3
Helios Spain	**9.8**	7.6	3.8	n. a.	n. a.
Fresenius Vamed	**7.8**	7.6	9.5	8.0	n. a.
Corporate/Other	**1.7**	3.5	3.8	2.7	2.5
Total	**9.8**	11.0	9.8	9.9	10.4

FEMALE EMPLOYEES

Dec. 31	**2020**	2019	2018	2017	2016
Fresenius Medical Care	**69%**	69%	69%	69%	69%
Fresenius Kabi	**50%**	50%	50%	51%	51%
Fresenius Helios	**75%**	75%	75%	76%	76%
Fresenius Vamed	**62%**	63%	64%	56%	56%
Corporate/Other	**38%**	39%	39%	39%	39%
Total	**68%**	68%	68%	68%	68%

[1] Fresenius Medical Care's 2017 data reflects country data representing 96% of all employees. Helios Germany's data for 2016 and 2017 includes the post-acute care business in Germany. Fresenius Vamed's data for 2017 also includes temporary staff and, as of 2018, the German post-acute care business transferred from Fresenius Helios to Fresenius Vamed. The data from Helios Spain does not yet contain the recently acquired hospitals in Latin America.
[2] Calculated as the number of employees who left the organization voluntarily in relation to the number of employees at the end of the year.

Segment-specific talent management and individual further training offerings for employees and managers are our other personnel development measures.

Vocational training

Vocational training is very important to us. That is why we offer applicants many opportunities to start their career pathway in our company. In 2020, more than 5,900 young people were doing dual vocational training and/or dual study at our locations in Germany. Across the Group, we offered more than 46 posts requiring formal training and 25 dual degree programs. For the first time, the study programs or majors Management in Medicine, medical Technology Management and Business Informatics, Data Science were offered in cooperation with the Technical University of Central Hesse and Duale Hochschule Baden-Württemberg (Baden-Wuerttemberg Cooperative State University), respectively. The classic direct entry route aside, Fresenius also offers graduates trainee programs for further professional orientation.

TRAINEES AND TRAINING RATIO FOR GERMANY

	2020	2019	2018	2017	2016
Trainees[1]	**5,985**	4,952	4,354	4,019	3,743
Training ratio	**6.18**	5.44	4.94	4.64	4.45

[1] Includes vocational training and university students

AVERAGE AGE[1]

	2020	2019	2018	2017	2016
Fresenius Medical Care	**41.7**	40.8	40.8	41.7	n. a.
Fresenius Kabi	**39.9**	38.7	38.4	38.5	38.7
Helios Germany	**42.2**	42.5	42.6	42.7	42.6
Helios Spain	**41.0**	41.0	40.0	n. a.	n. a.
Fresenius Vamed	**44.0**	41.2	43.6	43.0	43.5
Corporate/Other	**39.3**	39.1	38.9	39.2	39.2
Total	**41.6**	41.0	41.0	41.5	41.5

AGE STRUCTURE[1]

	2020			2019			2018			2017			2016		
Dec. 31	**Below 30**	**Between 30 und 50**	**Above 50**	Below 30	Between 30 and 50	Above 50	Below 30	Between 30 and 50	Above 50	Below 30	Between 30 and 50	Above 50	Below 30	Between 30 and 50	Above 50
Fresenius Medical Care	**17%**	**58%**	**25%**	18%	56%	26%	16%	57%	27%	18%	56%	26%	n. a.	n. a.	n. a.
Fresenius Kabi	**22%**	**61%**	**17%**	23%	60%	17%	23%	60%	17%	25%	59%	16%	24%	60%	16%
Helios Germany	**20%**	**48%**	**32%**	19%	48%	33%	18%	49%	33%	19%	49%	32%	19%	50%	31%
Helios Spain	**18%**	**60%**	**22%**	17%	61%	22%	18%	62%	20%	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
Fresenius Vamed	**15%**	**49%**	**36%**	16%	50%	34%	15%	50%	35%	18%	54%	28%	18%	53%	29%
Corporate/Other	**25%**	**53%**	**22%**	24%	54%	22%	25%	54%	21%	24%	55%	21%	23%	57%	20%
Total	**19%**	**55%**	**26%**	19%	55%	26%	18%	55%	27%	19%	55%	26%	20%	53%	27%

[1] Fresenius Medical Care's 2017 data reflects country data representing 96% of all employees. Helios Germany's data for 2016 and 2017 includes the post-acute care business in Germany. Fresenius Vamed's data for 2017 also includes temporary staff and, as of 2018, the German post-acute care business transferred from Fresenius Helios to Fresenius Vamed. The data from Helios Spain does not yet contain the recently acquired hospitals in Latin America.

Fresenius Training Catalog

The Fresenius Training Catalog lists all of the training opportunities available to our employees. This includes programs for communication and presentation, self-management and project management, as well as specific learning content depending on the job profile of the target group of employees.

Fresenius Learning Center

In addition to the training catalog, we offer training courses in the Fresenius Learning Center (FLC) learning management system. Depending on the subject, these training programs consist of one or more modules. Most of these involve some e-learning – for example webinars – as well as classroom training; reading materials are also offered to different target groups. Employees in Germany who do not have their own computer or laptop, or who do not have a quiet work environment, can take the training courses they need at specially set up learning locations. The Fresenius Helios and Fresenius Vamed business segments also offer needs-based e-learning and document the training activities in their own learning management systems. In 2020, new or iterative training modules on compliance-specific topics, basic data protection regulations and information security also became available worldwide in the FLC (with the exception of the United States).

Fresenius Medical Care

Fresenius Medical Care attaches great importance to its employees' development. The company's goal is to support its managers' and employees' personal growth and their efforts to help others grow. Fresenius Medical Care approaches learning and development from three angles: (1) Provide the digital and non-digital infrastructure to foster learning and development. All employees around the world participate in formalized or mandatory training via existing learning platforms that support offline and online learning. (2) Enhance the attractiveness of learning and development by increasing the opportunities to learn and improving the learning experience. In addition to existing platforms, around 25,000 employees started using the company's new digital platforms with knowledge and training resources in 2020. (3) Ensure that the company's executives are prepared and equipped to provide ongoing development support.

In 2020, Fresenius Medical Care also introduced a digital platform to foster the dialog between managers and their teams on the topics of development and performance management. More than 1,500 managers have already started using this platform.

Fresenius Medical Care identifies and promotes outstanding talent on an ongoing basis and invests in building a sustainable talent pipeline for the company's top 400 positions and beyond. The different programs for leadership development are based on regional requirements but with a focus on principles that apply globally. For example, since 2014, over 5,000 managers have completed the regional leadership development program in North America.

Fresenius Kabi

Fresenius Kabi has global, regional, and local structures for training and developing employees. Employees are trained and qualified according to their functions and tasks. Mandatory global trainings for employees are carried out internally. This includes, among other areas, training on the Code of Conduct.

All employees who are directly involved in manufacturing, testing and distribution of our products, as well as employees who work in a supporting role (e.g., technical maintenance, IT) receive mandatory training on job-related good manufacturing, control, and distribution practice as well as occupational health and safety and environmental protection.

In addition, occupational health and safety and environmental and energy management training is conducted at all certified sites. Further training supplements this and serves to support the introduction, further development and improvement of the corresponding management systems and measures.

As part of talent management, postings to other countries are also used to promote professional and personal development. Postings include both, long- and short-term postings, which also contribute to meeting specific staffing needs. In addition, Fresenius Kabi supports the development of digital competencies, for example, in connection with making work more flexible, such as mobile work by its employees, through new training programs.

Organization and responsibilities

Due to the decentralized structure of Fresenius Kabi, training is mainly managed decentrally, which enables Fresenius Kabi to provide training opportunities quickly and according to the respective requirements. The personnel development measures are evaluated by the responsible organizations within Fresenius Kabi. Feedback from employees and executives is also taken into account for continuous improvement of professional development measures.

Fresenius Helios

Imparting knowledge and developing its employees both form part of Fresenius Helios' self-image. All human resources training and development activities help the business segment achieve its four strategic business objectives: to offer the best service, to be a leader in medicine, to do sustainable business and to expand on its market position. These will enable Fresenius Helios to further improve with regard to medical quality and to position itself as an attractive employer at the same time. Training budgets as well as regular employee and development discussions are therefore firmly anchored in Fresenius Helios' corporate culture.

However, Fresenius Helios has also been faced with increased competition in the human resources sector, partly due to new regulatory requirements in line with the lower thresholds for nursing. In the last two years, the demand for skilled workers has continued to increase, especially in the nursing sector. For this reason, Fresenius Helios intends to acquire a large proportion of the necessary nursing personnel through in-company training at its 32 training centers in the future. The business segment is also tackling the continuing challenge that the shortage of skilled workers in the medical sector represents. One example is the structured talent pools of senior doctors that we are building.

All professional groups at the hospital can learn, train and further develop their expertise at the Helios Academy and at the Fresenius Helios training centers in Germany, to develop professional and personal competencies or learn about their own health and prevention in this area. In addition, Fresenius Helios offers its employees trainee and assistant programs and builds up competence profiles for hospital management. In Spain, Fresenius Helios is using development plans in its work to provide targeted support to its employees. Furthermore, the training program Talent Beats was designed to help nursing students make the transition from university to the professional environment.

Fresenius Helios now uses digital work tools across the board in all areas of education, training and further education. Learning content is organized using what is known as the Helios knowledge account – a digital education management system – as well as earning scenarios implemented via e-learning and online seminars. Throughout the COVID-19 pandemic, Fresenius Helios has been promoting the development of digital formats more than ever before.

In 2020, Fresenius Helios managed to implement all development programs as planned. Due to the COVID-19 pandemic, more digital events took place, e.g., virtual selection of personnel and development procedures in the Assessment or Development Center.

Organization and responsibilities

In 2020, Fresenius Helios merged the two departments Digital Knowledge Media and Academy/Talent Management under the new Central Service Recruitment and Development.

Policies and regulations

In 2019 and 2020, Fresenius Helios in Germany developed a new vision/mission. Due to the COVID-19-pandemic, the roll out was postponed to the first quarter of 2021, instead of late 2020. The Fresenius Helios Leadership Code also contains important guidelines for the management of employees. Company and Group agreements contain specifications for the training of employees and/or managers.

Fresenius Vamed

The expertise and project experience of its employees plays an important role in the success of Fresenius Vamed due to the heterogeneous nature of its activities in the high-end service business, overall operations management, and project management. It is therefore extremely important for the business segment to promote their further development in a targeted manner. Key for Fresenius Vamed's personnel management are individually adapted personnel development measures and a comprehensive, needs-oriented training offering, which is very diverse in nature due to the complex structure of the business segment. As part of its strategic personnel planning, Fresenius Vamed identifies young employees with particular potential and promotes their individual development. This is done via trainee programs and in the VAMED Human Capital Management Program (HCM Program). It prepares employees with potential to take on leadership and specialist roles.

Fresenius Vamed is increasingly using digital elements such as e-learning to design new training offerings. Employees can access a pool of knowledge via various knowledge platforms. In addition, Fresenius Vamed also has the option of developing and rolling out micro learnings independently. These short training modules are preferably used online, and have enabled fast and up-to-date precise training and education on applicable COVID-19 regulations, particularly in the area of hygiene. Fresenius Vamed has also digitalized essential and mandatory training and further education activities. The same applies for the monitoring of success.

All employees are free to use their own Fresenius Vamed Academy. Their courses and training not only cover specific professional issues, but also topics such as personal development and leadership, interpersonal skills and methodological expertise. Various knowledge platforms, such as the International Medical Board (IMB), also pool the know-how of about 1,200 health care professionals working for Fresenius Vamed. Over the course of the COVID-19 pandemic, the content of the program has not changed significantly, with only a number of courses and events being digitalized and some classroom seminars postponed to later dates.

Organization and responsibilities

Fresenius Vamed's Human Resources management team, together with the responsible business segments and the Management Board, develop and implement measures to promote and train employees and new talents.

PROGRESS AND MEASURES 2020

Development of training programs and digital training opportunities

The COVID-19 pandemic has also impacted development and training offerings at Fresenius, requiring us to move numerous training activities into the digital space.

Fresenius Medical Care

In 2020, Fresenius Medical Care introduced a digital platform to foster the dialog between managers and their teams on the topics of development and performance management.

Fresenius Kabi

The Code of Conduct learning module was supplemented by a chapter on human rights in 2020. This training module is expected to be rolled out at the beginning of 2021. Compulsory data protection and information security training introduced at the end of 2018, was repeated in 2020. Furthermore, anti-corruption training was created and rolled-out in 2020. In 2020, mandatory online modules were also expanded in the industrial area. Fresenius Kabi documented training activities in more than 50 countries with more than 27,000 people trained in 2020 in internal learning management systems.

Due to the COVID-19 pandemic, the global quality management department in cooperation with the occupational safety and environmental protection department, created online training on the background, behavior and preventive measures related to the pandemic in various languages in 2020.

Fresenius Helios

During the COVID-19 pandemic, digital learning scenarios have become more significant than ever before. The Helios knowledge account, the Helios Lernbar, and digital learning media have been of benefit to Fresenius Helios.

In 2020, Fresenius Helios' professional training courses and further education focused on patient-centered communication as well as on in-classroom, simulation and online training on COVID-19. The aim in early 2020 was to prepare hospital staff for an expected pandemic and to train specialist staff who had not worked in intensive care units before, for possible deployment there. Online courses on basic, advanced and expert knowledge of the Corona virus were developed, among other things. In addition, there was psychological training, such as awareness and self-protection in a crisis, as well as courses and communication training for crisis situations.

In 2020, Helios Germany continued its trainer education for the Patient-Centered Communication project on a limited scale. The aim of the project is to train employees in the clinics on communication in difficult situations, e.g., with patients and relatives.

In the reporting year, Helios Germany's digital infrastructure in the human resources area enabled it to rapidly roll out its training as digital educational offerings. This included, among other things, the training of nursing staff and medical staff for pandemic-related deployment in the intensive care units.

In 2020, Helios Spain introduced a Corporate Talent Plan for talented employees. This plan encompasses a talent pool for internal exchange, as well as training activities. The aim is to identify future leaders as well as key talents in the company, tailor an individual talent plan to their needs, career aspirations and the company's strategy, and thus strengthen the individual's commitment to their work. The first step is to conduct 360-degree feedback interviews with the selected individuals, after which the individual development plan is determined based on the evaluations. One focus of the training activities in this program is on emotional intelligence, which we value as an important attribute for our talents, especially in the hospital environment. Training is conducted both internally and in collaboration with such institutions as IESE, Business School of the Spanish University of Navarra.

Fresenius Vamed

In 2020, the business segment introduced the new VAMED Leadership Program for the targeted development of executives. This is made up of different components that are offered on a needs-based and tailor-made basis. The program is designed in close cooperation with representatives of university training institutes, such as the Vienna University of Economics and Business Administration. Furthermore, individual e-learning modules (e.g. labor law) and micro learning units were developed and rolled out independently as digital training options.

Development program: nursing department assistants

In order to be able to fill vacancies in the nursing department segment independently of the external labor market, Fresenius Helios introduced the nursing department assistant development program in Germany in 2020. It is structured in the same way as the Hospital Management assistant program.

Fresenius Helios: Knowledge target and knowledge account

The Helios knowledge account is a digital education management system. It enables Fresenius Helios to respond accordingly if the demand for digital learning, further education and training formats increases.

Thanks to the annual Helios knowledge goal, all employees of Fresenius Helios in Germany are able to continue their training on specific health topics via online training. In the year under review, two areas provided the main focus. The first area – Strong for the future – saw employees learning how Fresenius Helios can offer the best medical quality in the long term – for example by means of an improved care structure or by setting up centers. The business segment relied on comparable data from its clinics to do this. The second area – Focus on patients – saw employees of Fresenius Helios seeing things from a patients' perspective. They found out what the business segment has already done to improve the quality of patient contact – and what other plans are in place.

EVALUATION

Fresenius Medical Care

More than 25,000 employees used the new digital platform with knowledge and training resources in 2020. In 2020, Fresenius Medical Care also introduced a digital platform to foster the dialog between managers and their teams on the topics of development and performance management.

Fresenius Kabi

For training of employees in production[1] on quality management an average of 20 hours was spent per employee in 2020. In 2019, a strong basis concerning our training of employees on quality management was set. In 2020, we continued with our training measures and ensured training of all respective employees.

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE IN PRODUCTION[1] REGARDING QUALITY

	2020	2019
Production (training hours/average)	**20.06**	25.07
Number of employees included in the calculation (FTE)	**21,800**	22,000

[1] The production area comprises the following employee groups: operations/manufacturing, quality control, quality assurance, maintenance/technical support and warehouse.

The company uses an annual talent review for a dialogue on performance, competencies, and development potential for upper management levels. This talent review is the basis for identifying, evaluating, and developing executives and talents in all of Fresenius Kabi's regions, divisions, and central functions worldwide. Due to the COVID-19 pandemic, the talent review process was suspended in 2020. Further, the process has been conceptually revised in 2020. The adapted talent review is intended for roll out in 2021 to strengthen the dialog between employees and their superiors and the individual development planning. The global process shall be IT-based for a better user experience.

Fresenius Helios

Fresenius Helios utilizes annual feedback meetings to discuss topics relating to training and education. Additionally, the central service for the German locations, analyzes how effective its digital offerings and programs are for employees. It carries out qualitative evaluations and reviews the usage statistics collected, results of outcome measurements (e.g., filling vacancies after development programs) and participation rates.

In 2020, Fresenius Helios recorded significantly higher use of online conference tools and digital learning platforms in both Germany and Spain. Fresenius Helios is currently developing a training portfolio management in Germany, the aim of which is to evaluate and market employee training and further education options and services more effectively – internally and externally. At the same time, it needs to objectively evaluate the performance of the respective offerings.

Fresenius Vamed

Fresenius Vamed continually assesses its own vocational training and development programs; if necessary, the business segment develops and implements adaptation or improvement measures.

The following data is evidence of the long-term success of the programs: Fresenius Vamed's HCM program, which has been in place since 2004, has produced about 130 graduates to date. More than 70% of them have now taken their next career steps.

In addition, Fresenius Vamed's Human Resources Division evaluates the utilization rate of digital programs and services – for example, from within e-learning or webinars. Further, Fresenius Vamed continually optimizes its human resources development processes in the direction of digitalization.

OCCUPATIONAL HEALTH AND SAFETY

OUR APPROACH

Ensuring the health and safety of our employees is an essential part of our corporate responsibility. The Fresenius Code of Conduct states that we must take the necessary measures to protect our employees and to prevent work-related accidents. All four business segments focus on preventive measures and on the individual responsibility of employees when it comes to occupational health and safety. The occupational safety concepts are adapted to the specific business models of the four business segments. These focus on occupational health and safety within production, as well as occupational health management for health care facility or administrative employees. The aim of all the measures is not only to protect employees, but also to ensure the health and safety of patients. All Fresenius business segments continually record data on occupational health and safety in line with regulatory requirements.

During the COVID-19 pandemic in 2020, the safety and health of our employees, their families and the communities in which we work were in the focus of our response activities. A major challenge for us in this regard was on developing individual protection concepts, measures and working regulations that allow us to continue all operational and administrative activities. Depending on the evolution of the incidence rates and changes in regulatory requirements, it was necessary to promptly adapt our protection concepts and guidelines and to communicate these to the employees. This also meant equipping our employees with suitable protective materials. In our clinics, we have intensified infection control practices that were already in place in order to protect both our patients and our staff. In the production facilities, we introduced strict hygienic measures, such as disinfection and distancing measures. From March 2020, a large number of our employees in administrative functions worked from home to avoid infection.

Fresenius Medical Care

Fresenius Medical Care gives top priority to the health and safety of employees. The company's Code of Ethics and Business Conduct includes the commitment to provide a safe and healthy work environment for the company's global team. Fresenius Medical Care expects the same from its business partners. Responsibility for occupational health and safety lies with local management. The respective standards for health and safety are defined in local and regional policies and guidelines. This allows the company to comply with different regulatory and legal requirements and report incidents to authorities based on local specifications. Several of the company's production sites and clinics in the region Europe, Middle East and Africa are certified according to international health and safety standards, including ISO 45001. Fresenius Medical Care is currently working on harmonizing its management concepts for occupational health and safety as part of our Global Sustainability Program. In addition, Fresenius Medical Care is planning to develop a global policy and key performance indicators to reflect its worldwide performance in this area.

Fresenius Medical Care carries out risk assessments on the operational safety of machines and technical equipment as part of the company's work safety program in its production facilities. Internal reviews and external audits by authorities are conducted to monitor compliance with corresponding regulations, policies, and procedures.

Fresenius Kabi

The safety of Fresenius Kabi's employees at their workplace is our central concern. The aim is to avoid all work-related accidents. To achieve this goal, the company has implemented standard operating procedures (SOPs), other regulations, and instructions to provide a global framework for occupational health and safety which are part of Fresenius Kabi's integrated quality management system. The implemented occupational health and safety guidelines focus on the following principles:

- implementing the necessary measures to ensure the health and safety of employees,
- ensuring and supporting continuous improvement,
- avoiding work-related injuries, illnesses, and other incidents, e.g., implementing technical protection measures,
- performing hazard and risk assessments for all routine and non-routine activities,
- complying with applicable legal requirements and other occupational health and safety requirements,
- providing and ensuring the continuous safe operation of facilities, machinery, and equipment,
- safe handling, use, storage, and proper disposal of hazardous substances.

Risk assessment is an important part of the occupational health and safety management. Based on the risk assessment, occupational health and safety measures are derived and performed locally. This is supplemented by a notification system through which work-related accidents are reported, recorded and categorized. Further, training on work-related risks is provided at all sites. To support its occupational health and safety management, Fresenius Kabi has introduced a management system in accordance with the international standard OHSAS 18001. The management handbook and standard operating procedures provide global management requirements for the certified organizations' local occupational health and safety management. The implementation of the management system is ensured by internal global audits. The global management system is audited on an annual basis and certified by TÜV Rheinland. It covers all employees as well as temporary workers at certified sites. The local management reviews the occupational health and safety management system at least once a year, with regard to its continued suitability, appropriateness, effectiveness, and potential for improvement.

Currently, 21 organizations of Fresenius Kabi are certified according to the standard OHSAS 18001. The company is working on rolling out the certification according to OHSAS 18001 / ISO 45001 to all manufacturing plants by 2023[1]. Fresenius Kabi aims to improve occupational health and safety processes there and align them with internationally recognized standards. In 2020, 2 additional manufacturing plants have been included in the OHSAS 18001 certification of Fresenius Kabi. Local targets are set at the certified organizations to enhance the occupational health and safety management.

Organization and responsibilities

Responsibility for occupational health and safety management lies with the divisional and local organizations; global management responsibility lies with the central organization, which reports to the responsible member of Fresenius Kabi's management board.

Policies and regulations

Fresenius Kabi has implemented standard operating procedures (SOPs), other regulations, and instructions to provide a global framework for occupational health and safety which are part of Fresenius Kabi's integrated quality management system. The OHSAS 18001 management handbook and the standard operating procedures of Fresenius Kabi provide a consistent framework for the certified organizations' local occupational health and safety management.

[1] The certification roll-out is going to be concluded at all manufacturing plants of Fresenius Kabi in 2023. The certification issuance from the individual certification companies may extend into the following year.

Fresenius Helios

Fresenius Helios hospitals have risk assessments at their disposal for the individual workplaces and keep lists of dangerous substances. As a preventive measure, Fresenius Helios conducts occupational health and safety inspections of areas of the hospitals to look for potential risks. The main risk areas at our German locations, for example, are identified via accident reports or information from employees and undergo rigorous assessment. As part of a risk assessment, these are then analyzed; in the short term, measures are communicated to decision-makers using the S-T-O-P principle (substitution, technical, organizational and personal measures). Fresenius Helios then reviews the implementation process and effectiveness. The procedure used is the equivalent of a classic PDCA loop, i.e., Plan, Do, Check, Act – for continuous improvement.

In loops for mental health risk assessments, for example, specialized employees work together with managers to develop cross-functional measures. Similar procedures can be found in occupational health management and occupational rehabilitation management, for example. The business segment is currently reviewing whether to introduce an integrated management system for health and safety in Germany.

Helios Spain strives to develop an exemplary culture within health care provision, in order to avoid occupational health risks and promote healthy habits among its workforce. This is also implemented in the company's policy on workplace safety. The policy is applicable at all company levels and locations. Helios Spain has standardized occupational health and safety across the Group's hospitals and companies and developed a company-wide training platform for specific workplace-related risks. Various KPIs, including absenteeism and work-related injuries, are consolidated in one standardized system and evaluated. Based on this, measures are then taken to reduce absenteeism or to avoid accidents at work.

As a hospital operator, Fresenius Helios implements occupational safety and occupational medicine measures primarily for its own medical personnel. The company also supplies occupational health services to external companies at numerous locations. For example, our range of services encompasses about 300 institutions in Spain that provide occupational health management. Via these prevention centers, we examine about five million employees annually, working in cooperation with companies.

Organization and responsibilities

The senior management team of Fresenius Helios and the Helios Occupational Health business segment have the task of coordinating occupational health and safety in Germany. In terms of organization, the Helios Occupational Safety segment is assigned to the area of Authorized Officers & Environmental Management in the Infrastructure business segment. It was founded in 2019 and currently looks after about two-thirds of all the employees in the business segment, in addition to Fresenius Vamed and Xenios, a Fresenius Medical Care company. Specialists and engineers at Helios Occupational Safety are responsible for almost all Helios clinics and their subsidiaries (e.g., cleaning, logistics or catering). They look after all aspects of health and safety at work for Fresenius Helios employees, as well as the employees of Fresenius Helios internal service providers and subsidiaries, ensuring coordination is done in close collaboration with the German supervisory authorities.

The Helios Occupational Health business segment in Germany also has an Occupational and Organizational Psychology department, which carries out risk assessments for potential to cause mental health problems at numerous Fresenius Helios and Xenios (Fresenius Medical Care) sites.

At local level, the members of the Occupational Health and Safety Committee take a targeted approach to monitoring the various aspects of occupational safety and health promotion. The meetings held by the Occupational Health and Safety Committee meet the legal requirements set for composition and number of participants. In addition, specialist personnel and managers in special steering groups at the hospital sites work on dealing with specific areas, such as occupational health management.

Helios Spain works continuously to ensure the safety and health of its employees. With the implementation of SAP at all our hospitals in Spain, we changed the management of occupational health and safety from local systems to one company-wide system. Based on ISO 45001 (former 18001) as well as Spanish regulatory provisions, all hospitals are required to report occupational health and safety incidents, cause, lost time, illnesses and absenteeism as well as other KPIs in one tool. The local management which is responsible for ensuring that regulatory requirements are met for occupational health and safety, is guided by a handbook as well as standard operating procedures. A central department for corporate health prevention coordinates all activities and the reporting.

Policies and regulations

In Germany, Fresenius Helios uses the statutory regulations and guidelines of accident insurance institutions as the basis for its work. The business segment also cooperates with authorities at a more local level in Germany, such as the “Unfallkasse Hessen” accident insurance fund. Fresenius Helios Germany is currently planning to develop a corporate policy on workplace safety. This guideline for occupational health and safety will be interdisciplinary, developed together with Helios Occupational Health in the first quarter of 2021. It will then be reviewed and adopted by management.

Helios Spain wants to develop an exemplary culture within health care provision, in order to avoid occupational health risks and promote healthy habits among its workforce. This is also included in Fresenius Helios policy on workplace safety in Spain. The policy is applicable at all levels of work and at all locations in Spain.

Fresenius Vamed

The health and safety of employees is firmly embedded in our company’s culture and the Fresenius Vamed mission statement. All employees, and in most instances patients and customers too, are covered by the company’s holistic approach to occupational health and safety. Due to the diverse range of services and the different responsibilities involved, the implementation process is organized in very different ways throughout the business segment – nationally and internationally. In the context of our business areas, this is particularly the case for the project and service business as well as for the overall management of operations and the technical services provided by the individual Fresenius Vamed locations. In the area of occupational health and safety, all locations are subject to the respective local laws and regulations. Compliance with these regulations is also ensured at local level.

Policies and regulations

Due to the decentralized organizational structure of Fresenius Vamed, a range of different legal and internal guidelines play a significant role in occupational health and safety. The Code of Conduct covers administration and the area of technical services, while the Clinical Code of Conduct regulates the area of health care and medical personnel.

Reporting systems

All four business segments have notification systems for accidents at work. Fresenius Helios uses a Critical Incident Reporting System (CIRS) at all its German hospitals, for example. This system is anonymous and can be used in all areas of a hospital site. It is used for the preventive protection of both employees and patients. The reporting system can be used to make preventive corrections in processes and workflows and thus eliminate risks from everyday work.

Training

Fresenius employees receive regular occupational health and safety training in all four business segments. To avoid incidents and increase awareness, we also provide training on health and safety. In our clinics, employee training courses cover topics such as the safe use of sharps and disposables and hand hygiene. Further topics include infection prevention, and emergency control. Training provided in our production sites focuses, for instance, on the safe handling of work equipment, hazardous chemicals, emergency prevention and response. Fresenius Kabi, for instance, holds training sessions on work-related risks at all locations. Fresenius Vamed offers employees a separate e-learning module on employee protection.

PROGRESS AND MEASURES 2020

Fresenius Medical Care

In 2020, Fresenius Medical Care started to assess local health and safety policies and goals in all regions. In the region Europe, Middle East and Africa, for example, the health and safety targets relate to incident rates, safety training and incident reporting.

Fresenius Helios

In addition to occupational safety aspects, Fresenius Helios in Germany has also specifically addressed the matter of fire protection at clinics in order to take a holistic approach to avoiding risks. In the year under review, Fresenius Helios Commissioning personnel set up online training and put effective practice grading in place for fire safety assistants. For example, employees learn how to handle fire fighting equipment in their roles as fire safety assistants, and how to respond in the event of a fire and during evacuation from affected areas. This can be introduced at all locations.

EVALUATION

No Group results are available for occupational health and safety in fiscal year 2020. Although no effects can yet be reported at Group level, we report on the measures initiated in the reporting year and related progress in the business segments.

Fresenius Medical Care

Fresenius Medical Care's goal is to prevent work-related illnesses and injuries. For this reason, the business segment tracks and analyzes work-related accidents and injuries at local and regional level, identifies their root causes, and implements corrective actions. As part of these activities, Fresenius Medical Care has introduced different performance indicators for occupational health and safety in its production sites and dialysis clinics based on local requirements. These indicators generally focus on work-related accidents, including the incident rate and lost time incident rate.

Fresenius Kabi

Experts in the global Environmental and Occupational Management department analyze and evaluate working procedures, risks, objectives, and occupational health and safety programs, and enable exchange about occupational health and safety throughout the company. Fresenius Kabi performs global internal audits at its organizations to identify potential for improvement. If necessary, the company develops measures to tap this potential together with local responsible persons. Due to the COVID-19 pandemic, audits have been conducted virtually in 2020.

Quarterly telephone conferences with representatives from the certified organizations are held to foster exchange about work-related accidents and their prevention.

Fresenius Helios

Qualified occupational health and safety specialists as well as occupational physicians check whether or not the requirements for occupational health and safety are met at Fresenius Helios in Germany. In addition, the requirements are regularly reviewed by supervisors from the German Institution for Statutory Accident Insurance and Prevention in Health and Welfare Services (BGW). In 2020, this was carried out, among other locations, at the Helios clinic Leipzig. Various audits, sometimes internal, of Fresenius Helios in Germany enable us to consistently analyze existing procedures, review processes and effectively improve the management of occupational health and safety. Working together with experts from the field of occupational health and hygiene, specific project groups monitor the management of occupational health and safety, coordinating continuously across segments and developing improvement processes. In addition, various audits of Fresenius, sometimes internal, enable a consistent analysis of existing procedures, process validation and effective optimization of the occupational health and safety management already in place.

Fresenius Vamed

All Fresenius Vamed locations are subject to regular occupational health and safety inspections. At Fresenius Vamed, work-related incidents must not only be reported, but they also trigger an audit of existing work processes as well as any proposed changes and implementation thereof. Corresponding internal guidelines are available.

Work-related injuries and diseases

Fresenius Kabi

Fresenius Kabi documents all accidents that lead to lost working time – worldwide and for all employees, including temporary workers. All reported cases are categorized according to their impact on an employee's health and their severity. Furthermore, the local management assesses the documented cases to decide whether technical improvements, other working equipment or instructions, or further training are required to avoid future work-related accidents and improve occupational health and safety for employees. Occupational health and safety reports are submitted to the management board as well as other relevant functions of Fresenius Kabi on a quarterly basis.

Fresenius Kabi calculates the lost time injury frequency rate (LTIFR)[1] from the data it collects and uses it as an indicator for occupational health and safety; the LTIFR improved by 12% compared to the previous year. Fresenius Kabi also considers the lost time injury severity rate (LTISR) in its analysis. No work-related fatalities were recorded at Fresenius Kabi in 2020; the company recorded 3 serious work-related accidents, which were mainly caused by employee behavior, for example not following work instructions. This has prompted additional preventive measures at the respective sites, e.g. training. In the reporting period, Fresenius Kabi saw only a limited number of COVID-19 cases at its facilities with no significant impact on production output.

LOST TIME INJURY FREQUENCY RATE[1]

Fresenius Kabi	**2020**	2019	2018
LTIFR	**2.3**	2.6	3.1

Fresenius Helios

Fresenius Helios documents accidents locally and assesses the potential for risk associated with them, with a specific assessment carried out on-site, which is then discussed and assessed together with the relevant supervisory authorities. In Germany, hospitals use time management reports internally; these include downtime or absence periods and how these develop at the location. Various KPIs, including absenteeism and work-related injuries, are consolidated in a standardized system. Local accident figures are evaluated at every meeting held by the Health and Safety Committee. Based on this, a Helios clinic then implements measures to reduce absenteeism or to avoid accidents at work. The figures resulting from accident reporting aside, the main aim of coordination on-site is to monitor the effectiveness of risk assessments and to monitor the effectiveness of local occupational health and safety management systems.

Helios Spain collects data for preventive occupational safety on a monthly basis. The division has defined key figures to document absenteeism and accident rates as well as the status of compliance with important legal requirements at employee level. Each hospital in Spain reports monthly on the development of the key figures.

Fresenius Vamed

Fresenius Vamed documents locally all occupational accidents as well as all events that almost led to an accident. In addition, the human resources department reports all accidents with lost days (i.e. also accidents with less than 3 days) to the accident insurance. When incidents occur, it is essential to assess the existing hazards accordingly in order to prevent a recurrence. Risks must be minimized accordingly, which is why all incidents are subject to a structured evaluation by means of a root cause analysis including the corresponding improvement measures. These are prioritized in terms of technical, organizational and personnel criteria. The effectiveness of the measures is validated on site by the responsible local safety specialist. To ensure a holistically structured approach, a standard operating procedure has been implemented.

DIVERSITY

DIVERSITY AND EQUAL OPPORTUNITIES

OUR APPROACH

At Fresenius we support equal opportunities for all and consciously oppose discrimination of all kinds. No one may be discriminated against on the basis of skin color, ancestry, faith, political views, age, sex, sexual orientation, physical condition, appearance or other personal characteristics. We work in an atmosphere of mutual respect. Our dealings with each other are open, fair and appreciative. We do not tolerate insults, humiliation or harassment. Our managers have a special responsibility in this respect and act as role models. These values are laid down in the Fresenius Code of Conduct, which is binding for all employees. This lays the foundation of our cooperation and corporate culture.

Diversity lived in the business segments

Fresenius promotes international and interdisciplinary cooperation as well as diversity in our business segments and regions. The diversity of our markets and locations is also reflected in the workforce of the four business segments. In our home market in Germany, we have employees of more than 150 nationalities. All business segments attach great importance to equal opportunities for all employees in the workplace as well as in the application, selection and development procedures, and implement diversity concepts adapted to the requirements of the respective business models and regions.

[1] LTIFR: Number of work-related accidents with at least one day's absence from work in relation to hours worked multiplied by 1,000,000.

In 2019, Fresenius Medical Care started a new global initiative as part of its Global Sustainability Program. The company focuses on identifying and implementing effective ways to enhance the benefits from a diverse workforce. In 2020, Fresenius Medical Care's objective was to gain a global overview of the current situation and define the scope of global initiatives for inclusion and diversity. In 2021, the company is planning to further develop its global initiatives and enhance its communication activities. For example, Fresenius Medical Care is planning to initiate a global communication and awareness campaign, as well as dedicated leadership and employee focus sessions on diversity.

Inclusion and diversity in leadership is an important factor for the development of our business. Fresenius Medical Care's management team reflects the company's international footprint in various markets. Of the more than 1,150 senior leaders of the Company who take part in our Long Term Incentive Plan (LTIP), 85% are non-German.

Fresenius Kabi emphasizes equal opportunities for all employees in daily work as well as in recruiting, application and development processes. Numerous projects are placed in an intercultural environment. In many areas of the company, transnational teams are working on solutions to the manifold challenges in the health care sector. As the basis for the shared understanding of collaboration, Fresenius Kabi has defined company values that have been introduced worldwide. The company values of Fresenius Kabi – customer focus, quality, integrity, collaboration, creativity and passion and commitment – form the basis for day to day actions of all Fresenius Kabi employees.

At Fresenius Helios, the aspiration to be non-discriminatory and provide equal opportunities extends not only to employees but also to patients. Fresenius Spain's management, for instance, is committed to using gender equality tools – for example, through integrative language and training, or in procedures such as personnel selection processes and internal promotions, as well as in cases of sexual harassment or gender discrimination. Helios Spain, meanwhile, is currently in the process of negotiating equality plans for all companies in the hospital group. This kind of equality plan respects the European directives and the national rules in Spain on equal opportunities and wage transparency between men and women, and also guarantees non-discrimination in the workplace.

Fresenius Vamed focuses, among other things, on addressing diversity in effective promotion of young talent and management of succession planning. In the area of training and development in particular, the diversity of employees is taken into account and, for example, online training is offered in various languages.

Dealing with incidents of discrimination

Information about violations of the principles of the Fresenius Code of Conduct and other possible misconduct can be reported via various reporting systems – anonymously if necessary, as described on pages 159 f. in this report. All information is carefully examined and appropriate action taken according to the results of the investigation. Depending on the type and severity of misconduct, sanctions, such as actions under employment, civil or criminal law, can be imposed. After finishing the investigation, measures that prevent future misconduct, or at least make it more difficult for it to take place, are implemented.

In 2020, Fresenius Medical Care developed a global policy on respectful work behavior. This policy specifies company standards in the areas of non-discrimination, non-harassment, and non-bullying. The business segment plans to roll out this policy worldwide in 2021 together with a global policy on the prohibition of child labor and modern slavery, including forced labor and human trafficking.

Fresenius Kabi has guidelines and reporting systems for reports of potential violations of the principles defined in the Fresenius Kabi Code of Conduct. At Helios Germany, incidents involving discrimination are processed via the clinic management in cooperation with the human resources managers and, depending on the severity of the incident, escalated to regional or central level. As a rule, in the event of incidents of discrimination, a crisis management team is deployed to advise on the specific procedure to be used on a case-by-case basis. The company's head of Corporate Social Responsibility (CSR) is part of this team. At Helios Spain, incidents involving discrimination can be reported via the Human Resources Department, the intranet and the employee portal. At Fresenius Vamed, suspected cases are raised, assessed and reported via the Compliance Organization.

Organization and responsibilities

In order to integrate equal opportunities in all processes and workflows, the business segments have put structures in place that are tailored to their requirements. In 2020, Fresenius Kabi created a Center of Expertise Leadership & Talent, Talent Acquisition & Employer Branding, Organizational Development, Diversity & Inclusion, which reports directly to the head of the Global Human Resources Department. The Center of Expertise aims to anchor diversity and inclusion in the organization and to support the regional and divisional human resources functions in their activities with a global framework.

At Helios Germany, the Director of Human Resources has overall responsibility for diversity, with the Central Human Resources Service and the company's Head of Corporate Social Responsibility (CSR) responsible for the design and implementation of measures. In the hospitals, the clinic management is responsible for implementing the diversity concepts. In Spain, the business segment is working on creating the position of equal opportunities officer who will also act as a consultant for the management of each location. At Fresenius Vamed, a gender representative oversees gender issues.

Policies and regulations

Our aspirations with regard to diversity are laid down in the Fresenius Code of Conduct. This code makes our stance clear, i.e., to support equal opportunities for all and to oppose discrimination of all kinds. It forms the framework for all the rules and codes of conduct applicable in the business segments of the Fresenius Group. Our commitment to inclusion and diversity is also integrated in our Code of Ethics and Business Conduct. Fresenius Kabi has formulated and implemented company values for all employees. These values contribute to a common understanding of the corporate culture. The company values of Fresenius Kabi underline the importance of respectful collaboration between all employees and are part of its Code of Conduct. Fresenius Vamed and Helios Spain also commit to a diverse corporate culture in their codes of conduct.

PROGRESS AND MEASURES 2020

Initiatives to promote diversity and equal opportunities

Fresenius Helios

To support its foreign employees, in particular foreign nurses as described on page 136 in this report, Helios Germany began to train staff as integration managers in 2020. These future integration managers will support nurses who come to us from abroad when they arrive in Germany, helping them to deal with authorities and providing support in other situations. The aim of doing this is to help with social and cultural integration, as well as aiding professional and linguistic integration. This is supported and complemented by local initiatives at each hospital location. A wide range of measures are being implemented in all hospitals in Germany to promote diversity and equal opportunities. These include (selection of examples):

- Intercultural after-work meetings
- Prayer rooms for different religions
- Changing rooms for transgender employees
- In-hospital interpreter pools for foreign patients
- Regional campaign days in the form of an ongoing series of events for active intercultural exchange among employees (Erfurt)
- A queer community with drop-in centers and regular meetings

In addition, Helios Germany's Corporate Inclusivity Agreement envisages the introduction of online training for executives on inclusivity from 2021 onward.

Fresenius Vamed

Fresenius Vamed has developed concepts for the integration of foreign nursing staff. The Leadership Program, newly introduced in 2020, provides participants with an understanding of other cultures as part of the learning module Intercultural Competence Management and promotes intercultural action skills as well as mutual adaptability.

COMPLIANCE AND INTEGRITY

COMPLIANCE

For Fresenius, compliance means more than acting in accordance with the law. As we see it, Compliance rather means doing the right thing. We aim to comply not only with all kinds of regulations, but also with ethical principles. With our compliance activities, we want to ensure that everyone can rely on us as a trustworthy partner of integrity.

We have set-up risk-based compliance management systems, which are aligned with the business of each of our business segments. It is our key ambition to prevent corruption and bribery in our business environment. Beyond that, prohibiting violations of antitrust law, data protection regulations, trade restrictions, anti-money-laundering laws as well as the prevention of potential human rights violations are key areas, which we address with dedicated compliance measures.

OUR APPROACH

At Fresenius, we strongly believe that compliance protects what is most important to us: the well-being of the patients we care for. Compliance is firmly anchored in our corporate culture and guides us in our everyday work. Integrity, responsibility and reliability form the core of our understanding of compliance. Thereby, we design all our measures in such a way that they best prevent compliance violations.

As stated in our Fresenius Code of Conduct, we are fully committed not only to adhere to statutory regulations, internal guidelines, voluntary commitments, but also to act in accordance with ethical standards. Violations will not be tolerated. If a violation is detected, we perform an investigation, initiate the measures necessary to remediate the misconduct and impose sanctions if applicable. In addition, incidents prompt us to anchor ethical and compliant behavior even more firmly in our corporate culture as well as further sharpen our compliance programs and prevention mechanisms.

In all four business segments and at Fresenius SE & Co. KGaA, we have set up dedicated risk-oriented compliance management systems. These are based on three pillars: Prevention, detection and response. Our compliance measures are primarily aimed at using preventive measures to avoid compliance violations. Key preventive measures include comprehensive risk identification and risk assessment, appropriate and effective policies and processes, regular training, and ongoing consultation. We also carry out internal controls to identify possible compliance violations and ensure that we act in accordance with the rules.

The design of our compliance management systems is based on international regulations and guidelines, such as the ISO-norms on the set-up of compliance management systems and applicable audit standards of the IDW (PS 980). When implementing measures, we take into account the respective national or international legal frameworks.

Organization and responsibilities

Involvement of the Management Board

Responsibility for Compliance within the Fresenius Group lies with the Management Board and has been assigned to the board member responsible for Legal Affairs, Compliance, and Human Resources of Fresenius Management SE. The Management Board member assumes the function of Chief Compliance Officer of Fresenius SE & Co. KGaA.

In our four business segments, Chief Compliance Officers or Compliance Committees are responsible to develop and monitor the Compliance management system in their business segment They report to the respective management of the business segment.

The organizational structure

The business segments have established compliance organizations, which are based on the business organization. This includes respective Corporate Compliance departments, which develop global compliance initiatives for their business segment and support their respective compliance officers. More than 400 employees throughout the Group are responsible for compliance tasks and support Fresenius managers and employees in all compliance-related matters.

Corporate Compliance Department of Fresenius SE & Co. KGaA
The Corporate Compliance Department of Fresenius SE & Co. KGaA sets minimum standards for the Compliance management systems, especially for those Compliance risks that are relevant to all business segments. The department supports the work of the compliance officers of the four business segments with standardized management tools, processes and methods, and develops overarching compliance initiatives with them.

Compliance Steering Committee
The Compliance Steering Committee (CSC) is the central advisory body of Fresenius SE & Co. KGaA for Corporate Compliance matters. The CSC is composed of the Chief Compliance Officer, the Chief Financial Officer, and the heads of the Legal, Internal Audit and Corporate Compliance departments. If necessary, representatives of other governance departments attend the meetings of the CSC. The Compliance Steering Committee discusses the further development of the Corporate compliance management system as well as important compliance initiatives and relevant Compliance risk areas. The members of the committee also discuss severe Compliance cases and their remediation. All four business segments report annually to the CSC on the progress of their compliance management systems. The meetings of the CSC take place every six to eight weeks. In 2020, seven meetings took place – due to the COVID-19 pandemic, most of them virtual.

Best practice exchanges and compliance expert panels
To ensure ethical conduct, we continually review our business practices and exchange on best practices with our compliance colleagues worldwide. While in 2020 travel restrictions did not permit an in-person meeting, the regular exchange in cross-divisional expert panels continued. Areas of collaboration included antitrust and foreign trade law as well as cross-border investigations.

Reporting structures
The Chief Compliance Officer of Fresenius SE & Co. KGaA is informed on initiatives driven by the Corporate Compliance department on a weekly basis. Compliance case reports of medium severity for the segment Corporate are reported to the Chief Compliance Officer immediately. The Management Board of Fresenius Management SE receives reports on the status of the corporate compliance management system and selected initiatives regularly, at least twice a year. The Corporate Compliance Department also prepares an annual compliance report in text form. This report provides a comprehensive overview of all Corporate Compliance initiatives. The Supervisory Boards of both Fresenius SE & Co. KGaA and Fresenius Management SE are regularly informed about progress of Compliance measures, at least once a year, most recently in December 2020. The business segments have established individual reporting lines to their respective management. The management teams of the business segments receive regular reports on compliance by their Compliance Officers.

Despite the differences in business and risk profile in each business segment, we strive to evaluate the design of the compliance management systems using a uniform approach. In 2020, the Corporate Compliance department of Fresenius SE & Co. KGaA reviewed the maturity of the compliance measures of the business segments and Fresenius SE & Co. KGaA for all compliance risk areas by using a uniform methodology (Compliance Management System Reporting). The results were presented to the Compliance Steering Committee as well as the Management Board and Supervisory Board. This assessment is expected to be continued on a regular basis.

Guidelines and regulations

The Fresenius Code of Conduct forms the framework for all rules applicable at Fresenius Group. The Code of Conduct lays out the principles of conduct for all employees, including managers at all levels and members of the Management Board. The Code is aligned with international regulations (see Our Approach) and was adopted by the Management Board of Fresenius Management SE. In addition, the four business segments have implemented their own Codes of Conduct. These reflect the Fresenius Code of Conduct principles and cover the individual characteristics of each business segment. The Codes of Conduct are available to all employees at all management levels and are also available on the internet. Guidelines, organizational directives and process descriptions supplement and further define the rules of the Code of Conduct.

Our Principles:

1. We intend to compete fairly and stipulate clearly that we do not engage in any practices that restrict competition. We do not exploit our position in the market to disadvantage others through unfair business practices. In addition to the Fresenius Code of Conduct, we have set out our commitment to compliance with worldwide antitrust regulations in a guideline for all business segments. These guidelines describe principles of antitrust compliance and important elements of the antitrust compliance program, such as training, dedicated checks, and monitoring concepts. Since 2019, all of the four business segments have implemented their own measures for the continuous implementation of the directive. They take into account the specifics of their business models, the respective risk profiles, and local legal requirements.
2. We must not jeopardize the trust of our patients, business partners, or the public through unfair behavior. We do not tolerate any transactions initiated or carried out by unfair means and expressly oppose corruption and bribery. Our Fresenius Code of Conduct is very clear: “We do not offer undue advantages to business partners or third parties. Undue means: with the intention of influencing the recipient’s actions or decisions. We avoid even the appearance of inappropriate behavior. We also do not grant any undue advantages over third parties”. With this clear policy, we prohibit both advantages with the intention of obtaining an unreasonable advantage and advantages for e.g. routine process acceleration, so-called facilitation payments. Our Code of Conduct strictly forbids any form of manipulation through unfair behavior. Appropriate remuneration, transparent contracts and clear rules on granting gifts, donations, invitations and other benefits help us to act with integrity. We exclude political donations – with the exception of the U.S. market. We take special care to cooperate with health care professionals and organizations as well as patient organizations and public customers in a transparent way. For this reason, we set high standards worldwide in our dealings with these partners, which we have laid out in a number of guidelines in our business segments. We comply with anti-money laundering laws and trade restrictions at all times. Those business segments affected by these laws and regulations – such as Fresenius Medical Care and Fresenius Kabi – have implemented dedicated money laundering prevention policies.
3. We represent our interests in a transparent manner. Private interests must not influence professional decisions. In our Code of Conduct, we have clearly defined how we deal with secondary employment, financial investments, political involvement, and family or personal relationships in order to avoid conflicts of interest. Each business segment also has supplementary guidelines and measures in place to identify and resolve conflicts of interest. At Fresenius Kabi, e.g., there is a specific conflict of interest guideline for purchasing, while Helios Germany regulates this in their corporate transparency policy.

Risk assessment

By using standardized methods, we regularly record, analyze and evaluate compliance risks in each business segment and at Fresenius SE & Co. KGaA. These risk assessments cover more than 20 risk groups depending on the business segment. Once a year, the Compliance responsibles exchange information on key findings from the respective risk assessments. In addition to core Compliance risks such as bribery and corruption, antitrust violations, money laundering, data protection violations, trade restrictions and human rights violations, the risk assessment also includes other significant business risks such as information security, environmental and occupational safety, quality assurance, and the protection of intellectual property, which can be in the responsibility of other functions.

Dealing with third parties

Our Code of Conduct and the related guidelines for Fresenius Group employees also regulate our relations to business partners and suppliers. We expect them to comply with applicable laws and standards as well as ethical standards of conduct in daily business and have specified this in our Fresenius Code of Conduct for Business Partners. Among other topics, the Code explicitly prohibits corruption and bribery and obliges our partners to comply with relevant national and international anti-corruption laws. We inform our business partners about these requirements before entering a business relationship. The business segments Fresenius Medical Care and Fresenius Kabi specify their requirements for suppliers in additional Codes of Conduct.

Our goals

With our compliance activities, we pursue our self-set goal of integrating our comprehensive understanding of compliance into our daily business and making compliance a matter of course. The aim is to prevent violations, continuously improve our compliance management systems, and to establish a "living compliance culture" throughout Fresenius. Exchange on best practices from our business segments plays a key role here. Each year, all business segments develop operational goals and measures to further strengthen their compliance management systems. These are coordinated by the compliance responsibles and presented to the Compliance Steering Committee.

PROGRESS AND MEASURES IN 2020

Risk assessment

In 2020, the business segments began to supplement their risk assessments with an assessment on single entity level. Fresenius Kabi has already introduced this bottom-up risk assessment in 2019. In this reporting year, Helios Spain integrated the content on compliance into the existing medical quality and risk management tool, thus implementing bottom-up risk assessment in the clinics. Implementation is to be continued in the other divisions in the coming year. With the introduction of a harmonized IT tool, we merged existing risk processes in 2020. In this way, we ensure improved Group-wide compliance risk reporting.

Training

Compliance training have a high priority for Fresenius. All employees are offered training on compliance issues. The training courses cover basic topics such as our Code of Conduct and corporate guidelines, but also specific aspects such as anti-corruption, antitrust law, money laundering, data protection, and information security. In 2020, Vamed focused on the prevention of money laundering and terrorist financing as well as antitrust, competition and public procurement law, while Fresenius Helios and Fresenius Kabi focused on the prevention of corruption. Fresenius Medical Care also conducted a general e-learning class on anti-bribery and anti-corruption as well as over 20 specialized training courses for specific target groups in 2020.

In order to convey the contents in a targeted manner, we rely on individual concepts tailored to the respective department and the respective target group of the employees. We also use various formats such as in-house training, live webinars, on-demand video training, and traditional online training. Participation in essential basic training, such as on the Code of Conduct, is mandatory.

Employees are prompted and reminded to participate in mandatory training courses. Depending on business segment and format, this is done in different ways: in some cases as a technical obligation with automatic registration, in others as manual registration by compliance departments, Human Resources, or managers. In addition, there is the possibility to link parts of the variable remuneration to participation in compliance training. To promote a risk-conscious and value-oriented corporate culture, we train managers using a dialog-based approach.

Review of business partners and investments

In all business segments and at Fresenius SE & Co. KGaA, risk-based due diligence reviews of business partners are carried out before entering a business relationship. Selection of business partners for due diligence is based on defined risk-based criteria in each business segment. A risk profile of the partner is created. On this basis, we initiate targeted measures. Thereby, contractual clauses are based on the risk profile of the partner. We also reserve the right to terminate the contract in case of misconduct. If we suspect misconduct on the part of a business partner, we take additional measures. Depending on the severity of the misconduct, these may include audits or certifications.

We also consider compliance risks in specific due diligence measures when deciding on possible acquisitions and investments. If necessary, we initiate safeguarding measures and include, e.g., compliance declarations and guarantees in the contracts. Following an acquisition, we integrate the new company into our compliance management systems as quickly as possible.

Trade restrictions

We also supply products to countries that are subject to trade restrictions. It is particularly important to us to comply with all currently applicable legal provisions, e.g., with regard to sanctions or export controls. To this end, we have introduced various measures in the business segments concerned, such as monitoring processes and special IT system checks for deliveries that are subject to import or export restrictions. The measures depend on the specific risk in the country concerned. We aim to ensure that we can comply with all applicable sanctions and requirements for export controls, even in the event of short-term changes in legislation.

Money laundering

Based on the risk profiles of our business segments, we have established measures to address money laundering risks in the Fresenius Group as part of the implementation of the requirements of the Money Laundering Act for traders in goods. These measures include anti-money laundering guidelines, specific topic-related risk analyses, internal controls such as the prohibition of certain cash payments, as well as auditing processes for relevant transactions. We have anchored the implemented controls in our guidelines and conduct training on them.

Financial transactions

We have implemented dedicated controls, such as the four eye principle, for cash transactions and banking transactions. We also monitor cash transactions that exceed a certain threshold. In this way, we ensure that all financial transactions are correctly accounted for, authorized and processed. Thanks to automated processes, we can identify compliance risks at an early stage. Evaluations of compliance with threshold values as well as other verification processes for supplier master data in affected business segments also provide valuable guidance.

Dealing with conflicts of interest

At Fresenius SE & Co. KGaA, we support our employees in dealing responsibly with conflicts of interest. We answer their “Frequently Asked Questions” (FAQs) on the intranet. Our Corporate Compliance Department is also available as a contact partner for all questions.

At Helios Germany, e.g., product decisions and price negotiations are strictly separated. Procurement decisions for products and services are made by the responsible medical specialist groups or departments. The purchasing department then negotiates the exact conditions with suppliers and service providers. In this way decisions about products and prices are strictly separated. In addition, all managers at Helios Germany must disclose investments and appointments via transparency declarations. In 2020, around 90% percent of the more than 1,000 medical specialist group members of Helios Germany have done so (see also Helios Germany Sustainability Report).

Transparency in health care

Through our membership in various associations, we are actively committed to continuously improving transparency in the health care sector. For example, business segments are involved in Medicines for Europe and MedTech Europe. We are committed to respecting the codes and principles associated with these activities. In addition, we disclose all donations to health care professionals in our business segments, in accordance with the publication requirements applicable to us.

New measures, projects and processes

This year, we have continued to work on expanding our compliance management systems and strengthening existing measures.

At Fresenius Vamed, the focus was on the prevention of money laundering and terrorist financing. To this end, in addition to the establishment of dedicated responsibilities, a corresponding guideline was put into effect, which further defines the issues of risk analysis, due diligence and reporting of suspected money laundering.

Like Fresenius Vamed, Fresenius Kabi has focused on the further development of testing processes for business partners. While at Fresenius Vamed this concerned the revision of the Code of Conduct for business partners, Fresenius Kabi worked on the introduction of methodological improvements and the automation of the review processes. In addition, Fresenius Kabi has proceeded with the preparation of a global anti-corruption guideline which provides a framework for the various guidelines on individual aspects of the fight against corruption and extends these guidelines.

This year, Helios Spain revised and updated the Code of Conduct in order to further strengthen areas of increasing importance, such as the health of its own employees. In addition, the integration of the Latin American clinics into the compliance management system was continued.

The implementation of the new Group-wide regulations on cash and banking transactions was a major project across all business segments. In addition to additional controls for payments, the new regulations mainly relate to controls to prevent money laundering.

In the course of the reporting year, Fresenius Medical Care completed the review of their third-party due diligence concept and rolled out an updated process. As part of this roll-out, some 37,000 third parties were assessed for compliance risks. This process is currently being extended to cover additional measures in relation to selected external partners. Fresenius Medical Care is also building on existing local programs for selected third parties, such as distributors, to develop a globally consistent training approach in 2021.

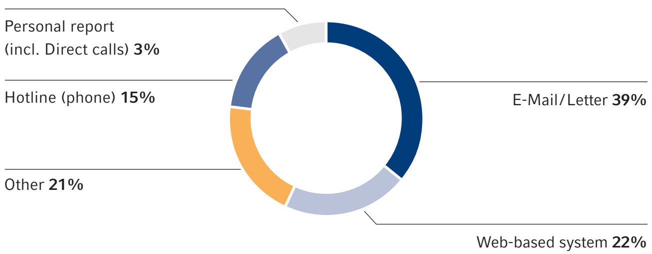
EVALUATION

Audits and inspections

Our compliance measures are monitored by the responsible Internal Audit Department in independent audits. They review the implementation of policies and procedures as well as the effectiveness of the compliance measures in the business segments and group companies. If these audits reveal potential for improvement, the Internal Audit department, in consultation with the responsible managers, determines which remediations measures are to be taken by management. In 2020, Internal Audit departments worldwide conducted numerous compliance-related audits at Fresenius SE & Co. KGaA and in the business segments, which also included audit steps regarding relevant risk areas for Fresenius.

At Helios Germany, adherence to the business segment's transparency regulations is monitored on a spot check basis in regular transparency reviews. With the Compliance Cockpit, Fresenius Kabi has a tool that provides managers of each subsidiary with an annual overview of compliance-relevant key parameters based on external and internal indicators. Fresenius Kabi reviews these key parameters annually and defines monitoring measures for those subsidiaries with an increased risk profile. Fresenius Kabi also conducts regular reviews of compliance initiatives in the form of workshops. Fresenius Kabi's compliance organization organized a total of 14 international workshops in 2020. Some of these were supported by the Corporate Compliance Department of Fresenius SE & Co. KGaA. The workshops not only served as intensive training for local employees, but also enabled Compliance Officers to review and, if necessary, improve their understanding of compliance, the effectiveness of local implementation of internal guidelines, and the development and, if necessary, the improvement of central compliance initiatives.

MESSAGES BY INPUT CHANNEL



Reporting channels

If Fresenius employees suspect misconduct, e.g., violations of laws, regulations or internal guidelines, they can contact their supervisor or the responsible Compliance Officer and report the possible compliance incident. In addition, they can also report potential compliance incidents anonymously, e.g., by telephone or online via whistleblower systems, or designated e-mail addresses. All business segments have established appropriate mechanisms. The reporting systems of Fresenius SE & Co. KGaA, Fresenius Medical Care and Fresenius Kabi are available via the corporate websites not only to employees but also to third parties, e.g., customers, suppliers, and other partners, in more than 30 national languages.

In 2020, a total of 1,729 Compliance reports were received via the reporting channels of the Fresenius business segments (status: full year 2020)[1]. The compliance reports received can be distributed by various input channels as the graph on page 159 shows:

The compliance reports could be allocated to the following reporting categories, e.g.: Business integrity including anti-corruption (110 reports), data protection (368 reports) and human resources/workplace (999 reports).

Dealing with possible compliance violations

We take all potential compliance violations seriously. In an initial assessment, we first focus on the plausibility and possible severity level of the potential violation. We take every indication of possible misconduct as an opportunity to review our corporate processes for improvements. The severity of the compliance violation determines who is responsible for further investigation. If necessary, a dedicated investigation team takes over the investigation, which may include internal professionals or external support. Measures are implemented by the responsible management in close cooperation with the responsible Compliance Officers, in a timely manner. Depending on the type and severity of the misconduct, disciplinary sanctions or remedies under civil or criminal law may be imposed. After completion of the investigation, we implement measures to prevent or impede similar misconduct in the future. Further information pursuant to § 289c (3) No. 6 HGB on the Non-Prosecution Agreement of Fresenius Medical Care can be found on pages 279 f. in the Notes to the Consolidated Financial Statements.

DATA PROTECTION

As a globally operating company, we process the personal data of our patients, employees, customers, suppliers, business partners, and all other data subjects. We take responsibility for handling the data entrusted to us with care. This has priority for Fresenius as a trusted partner. We continuously enhance our data protection measures to fulfill our responsibility.

OUR APPROACH

Fresenius is committed to respect the right to informational self-determination and the privacy of all those from whom we receive or process data in the course of our business. This also includes the processing of personal data by third parties on our behalf. This commitment is set out in the Fresenius Code of Conduct.

Data protection is a core task for us at Fresenius. We therefore constantly work on developing our data protection management systems to tackle new challenges. Operational activities in the area of data protection management are the responsibility of the functional departments. The functional departments are supported by basic processes of our Data Protection Management Systems. In addition, selected processes are also supported by the compliance management systems, such as general risk assessments or investigation of possible data protection violations. We continuously work to fulfill the requirements of the EU General Data Protection Regulation (EU-GDPR) and other applicable national and international data protection regulations.

Risk assessment

We regularly assess risks related to data protection and IT security in every business segment, as well as at Fresenius SE & Co. KGaA, using standardized methods in a top-down approach. All business segments and Fresenius SE & Co. KGaA record their data processing activities in central IT applications and subject them to a data protection review, including a risk assessment. For this purpose, we organize business processes in such a way that data protection is integrated into the design of new data processing activities as early as possible. This allows us among others to implement the principles of data protection and include the necessary technical and organizational measures in processing to meet the legal requirements, e.g. from the GDPR and minimize potential risks. Implementation of new or significantly changed IT systems is subject to a standardized review process to examine the implementation of data protection and IT security requirements.

Data subject rights

We at Fresenius respect and protect the rights of all persons whose data we collect or process. This applies to employees, patients, customers, and our business partners as well as to other data subjects. We process personal data for the respective legal purposes in accordance with legal requirements. All business segments and Fresenius SE & Co. KGaA guarantee the rights of data subjects by informing them appropriately about their rights and through established processes and tools to ensure that requests are answered on

[1] Fresenius Medical Care in North America, the hotline system was used for multiple reporting purposes: In addition to the reporting of compliance concerns, reports can also be made on patient care and safety. These patient-related cases were not included in the Group-wide number of compliance reports.

time. We inform our employees on their rights through privacy employee notices. We inform data subjects about processing of their data and limit data processing to the originally agreed purposes. Where necessary, we also request consent for data processing activities. In addition, we have implemented technical and organizational measures to protect data subject rights according to the GDPR requirements. We offer data subjects – both outside and inside the company – an easy way to request information on their data processed or saved by us. To this end, Fresenius SE & Co. KGaA and Fresenius Kabi have developed easily accessible technical solutions that can be used to send data subject requests. These requests are handled and answered centrally. With these solutions, we support data subjects in timely exercising their rights to access, rectification, restriction, objection, portability and deletion of their personal data. We also process deletion requests in accordance with legal requirements.

Patient data

The patient's well-being always comes first at Fresenius. This also applies in particular to how we handle their data. We are aware of our responsibility arising from the special bond of trust we have with them. Therefore, we take measures beyond the fundamental respect of data subject rights, to ensure the protection of their sensitive data. We design our processes accordingly to provide reasonable protection in the handling of our patients' personal information. We inform all patients of whom we take care at Fresenius and whose data we process about their rights in an adequate manner. We process data of our patients only after obtaining consent or on another legal basis and only to the extent necessary. A privacy impact assessment is conducted for processing activities that involve processing of personal data, in particular patient data. We also protect patient data by restricting and limiting access to the data required for processing according to the principle of minimum access rights.

International data transfer

As a globally operating company, we give high priority to ensuring an appropriate level of data protection in all international data transfers as defined by the GDPR. All business segments and Fresenius SE & Co. KGaA only transfer data to third countries outside the European Union based on a potential adequacy decision of the European Commission, generally recognized certifications, or other legal safeguards. To this end, we conclude additional specific agreements on data processing with data recipients besides the regular commercial contracts. In these, we also contain EU model clauses provided by the European Commission. New developments in the area of international data transfer, such as the European Court of Justice ruling in the Schrems II case on the Privacy Shield, are closely monitored and considered in risk assessments. In addition, Fresenius SE & Co. KGaA and Fresenius Kabi submitted Binding Corporate Rules (BCR), i.e. mandatory internal guidelines, to the respective data protection authorities for review and approval and are already preparing their internal implementation. BCRs are used by the participating companies to establish a uniform level of data protection based on the standards of the GDPR and contribute to compliant processing of personal data in accordance with international law. In addition, Helios Germany processes personal data – especially patient data – preferably within its internal networks. Also, if data is processed in countries outside the European Union by third parties, the contractor will be examined carefully, and measures are implemented to guarantee compliance with privacy regulations.

Training

We train employees on current requirements and threats in relation to data protection and data security. To this end, we offer them a comprehensive range of e-learning courses, face-to-face training, and additional training measures. General training is supplemented with training measures for specific employee groups. In this way, we ensure that employees responsible for data processing activities are aware of current legal and internal requirements.

We inform new employees about confidentiality and handling sensitive data when they start work and commit them to secrecy. As an example, new hired employees of Helios

Germany are also given mandatory data protection training within a defined time period. Every Helios Germany and Fresenius Medical Care entity is required to provide evidence at least every two years that their employees are trained in data protection. Fresenius Vamed conducts a yearly mandatory training on data protection for employees.

Organization and responsibilities

Organizational structure

Fresenius SE & Co. KGaA and all business segments have established data protection organizations in accordance with their organizational and business structure. These include appointed independent Data Protection Officers who report to the respective company's management. The data protection organizations support the management of the respective companies in complying with and monitoring applicable legal data protection requirements. Fresenius Netcare also maintains its own data protection organization in order to fulfill its particular responsibility as a data processor for the business segments. All data protection organizations have both advisory and monitoring functions with complementary tasks. The data protection officers are responsible to monitor compliance with data protection requirements. They are contact persons for national and international supervisory authorities and are supported by competent data protection advisors and coordinators. These advise all departments in operational data protection questions – because we understand data protection as a joint effort of all employees of the Fresenius Group. Depending on the business segment, data protection advisors are organized centrally, regionally, and locally. Helios Spain for example has established Data Protection Committees at clinic level. All data protection responsibles groupwide support managers in fulfilling data protection regulations. In total, more than 300 employees at Fresenius are entrusted with data protection tasks.

Data protection responsibles from all business segments and Fresenius SE & Co. KGaA exchange regularly on best practices and initiatives, for example in the context of Group Coordination Meetings and conferences, Jour Fixes and other formats, to establish comparable and effective data protection measures. In 2020, all exchanges have been organized virtually.

Involvement of the Management Board and reporting

The overall responsibility for data protection on the Fresenius Corporate level lies within the responsible Management Board member for Legal, Compliance and Human Resources of Fresenius Management SE. The Data Protection Officer of Fresenius SE & Co. KGaA has a direct reporting line to this Management Board member.

In addition, data protection is a regular topic in the Compliance Steering Committee, which the responsible Management Board member for Legal, Compliance and Human Resources is part of. The responsible Data Protection Officers of the four business segments regularly report to the respective management.

Guidelines and regulations

Data protection is a shared effort of all employees of the Fresenius Group. This is based on the joint commitment of all business segments and Fresenius SE & Co. KGaA to data protection, as specified in their Codes of Conduct. In the Fresenius Code of Conduct we state to acting with care when handling data and the right of the individual on their own information. We commit ourselves respect the rights and privacy of all persons about whom we collect or receive data.

Furthermore, all business segments and Fresenius SE & Co. KGaA have created policies for data protection and hand-ling personal data. The data protection policies are complemented by other guidelines, standards, and operating procedures These support our employees in implementing GDPR requirements and other relevant legal regulations within their area of responsibility.

PROGRESS AND MEASURES 2020

To ensure structured and efficient handling of reported potential data breaches, Fresenius Kabi has implemented a guideline as well as a technical solution to receive such reports by employees, which were also part of dedicated training measures. Furthermore, the technical solutions for execution and documentation of risk assessments for processing activities, as well as for recording and processing data subject requests were enhanced.

Fresenius Vamed has its data protection management progress reviewed by an external law firm on a yearly basis. In 2020, the focus of Fresenius Vamed' activities was on updating data processing agreements and registers of processing activities.

Fresenius Medical Care has rolled out a Global Privacy Awareness communication and awareness campaign. In 2020, Fresenius Medical Care continued to roll out their data privacy training as part of an international training program that provides details on their values and the measures they take to protect personal data. In 2020, they offered more than 160 training classes on data privacy to Fresenius Medical Care employees around the world.

Helios Germany has strengthened various aspects of its data protection management system in 2020. This included additional requirements and materials on risk assessments for data processing activities, a revision of the Helios audit concept and adjusted local and central reporting processes for risk assessments for data processing activities. In addition, a new central function for data protection questions in research has been created. Furthermore, processing of personal data in relation to COVID-19 as well as ensuring compliance of hospital information systems with data protection regulations have been key topics of the year.

Helios Spain has continued its roll-out of privacy impact assessments, including additional indicators on technological or information security risks and has created a company-wide training on data protection, which will be rolled out in 2021. New procedures on the investigation and processing of personal data, remote monitoring of clinical trials and data retention have been set up. In addition, Helios Spain has conducted multiple data protection related audits and achieved information security certifications in various hospitals.

Fresenius SE & Co. KGaA has continuously developed its data protection management system in 2020. Besides further improving the existing process for efficient assessment of potential data breaches, the audit concept was further developed and implemented. In addition, data protection risk assessments for data processing activities have been adjusted and implemented to represent the risk-based approach. Processing of personal data in relation to measures on COVID-19 have also been a priority this year.

EVALUATION

Audits und Monitoring

A number of governance functions regularly perform controls with a different focus in all business segments to ensure compliance with data protection regulations. The Internal Audit Departments conduct independent audits in all business segments and Group entities. Hereby, aspects of data protection and IT security are included in the reviews, with a particular focus on compliance with data protection regulations and the consistent implementation of internal guidelines and processes. For this purpose, an exchange takes place with the respective data protection officer. All business segments and Fresenius SE & Co. KGaA have defined corresponding auditing concepts for this purpose.

In addition, data protection controls are part of various internal control frameworks in the business segments. We use insights on potential improvements identified in the audits and reviews to continuously enhance our data protection processes. For example, the audit concept at Helios Germany requires that each entity is reviewed regularly – at least once a year – with regard to data protection and IT security in an internal audit.

Reporting system

All employees of the Fresenius Group have the possibility to report potential violations of data protection regulations or internal guidelines via existing whistleblowing systems or dedicated e-mail addresses. We take all reports on potential violations as an opportunity to clarify the case as quickly as possible and to review and adjust our company processes where needed. If necessary, we inform affected persons about possible data protection violations promptly and in accordance with legal requirements. You will find information on the number of received reports on data protection on page 160 of this report.

Media Hub

HUMAN RIGHTS

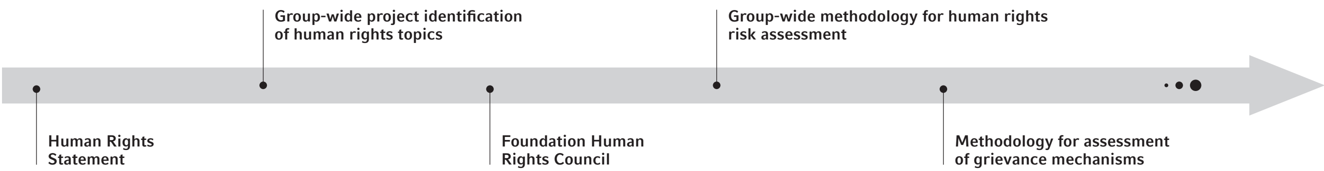
Human rights are universal. As a global health care company, Fresenius considers human rights part of our responsibility. We are committed to meet the relevant regulatory requirements and social expectations with respect to due diligence for the respect of human rights. In 2019, we started to identify the areas of our business which could have an impact on human rights: The results show that medical care to patients and the well-being of our more than 300,000 employees are among the engagement areas of our human rights due diligence.

We are aware that the responsibility for respecting human rights extends beyond our own company operations and core business. When cooperating with our suppliers and business partners, both in procurement and in sales and distribution, we consider this already in the selection process. We are working to make supply chains more transparent. With this, we aim to secure supplies and reduce human rights risks in the procurement of vital raw materials, as described on page 168.

OUR APPROACH

Fresenius is committed to respecting human rights and facilitating their observance. We underline this commitment with a Group-wide Human Rights Statement, which the Management Board adopted in 2018. The statement is based on the international human rights charter of the United Nations (UN) and the fundamental principles of the International Labour Organization (ILO). It covers human rights issues that are of particular importance to our Group. These include among others prohibiting exploitive and illegal child labor or forced labor, preventing discrimination and promoting equal opportunities and creating safe working conditions.

MILESTONES OF THE HUMAN RIGHTS PROGRAM



The publication of the statement also marked the starting point for our human rights program: With the program, we want to establish preventive measures to enable Fresenius to avoid human rights risks in its business processes. At the same time, it forms the basis for including human rights risk in our Group-wide risk management. The measures of the human rights program are closely aligned with the UN guiding principles on business and human rights and build on its five elements: Establishment of fundamentals, risk analysis, measures & integration, reporting, grievance mechanisms (see page 165). An overview of the milestones of the human rights program to date is presented on this page.

In 2019, in a comprehensive project involving all business segments, we identified and defined the human rights issues that are relevant to us. These include for example topics like access to health care, working conditions in the supply chain as well as discrimination and equal opportunities. Our business activities and relationships can have impacts on human rights in these areas. This analysis forms the basis for the identification of potential negative impacts and development of measures. As a next step, a Group-wide human rights risk analysis method has been elaborated and initiated in 2020. Based on this, we will define further specific measures for all business segments, in order to identify possible human rights violations at an early stage and to avoid or mitigate them.

Organization and responsibilities

Human Rights Council

In 2019, Fresenius has established a Human Rights Council to drive the implementation and development of our human rights program on Group level. It is composed of representatives of the four business segments and Fresenius SE & Co. KGaA. The ca. 20 members of the Human Rights Council are active in various functions within the Group, including Compliance, Legal, Sustainability, Communication, Purchasing, Human Resources and Medicine and thereby reflect the diverse perspective of the topic. The committee meets quarterly and is intended to promote the exchange of information on current human rights issues across business segments, plan Group-wide initiatives and present new concepts and methods. In 2020, the Human Rights Council met four times.

Realization in the business segments

In each of Fresenius' four business segments, various departments are responsible for planning and implementing human rights activities in their own business segment and in the supply chains. Supported by the Compliance Management Systems (CMS), they carry out training within the Group, e.g. on specific human rights aspects. They also show how the workforce can react and report any misconduct. Certain measures on the respect of human rights can also be part of internal audits. The departments of the business segments, such as purchasing, are also responsible for the selection and commissioning of suppliers.

Guidelines and regulations

Fresenius Human Rights Statement

Our Human Rights Statement is a commitment by Fresenius SE & Co. KGaA and the business segments. Fresenius Medical Care has adopted its own human rights statement. The human rights statements supplement the Codes of Conduct of the business segments and their underlying human rights commitments. The human rights statements can or should be regularly updated as new insights arise or new essential issues need to be added. The topics on which we position ourselves in the Human Rights Statement are set out online on our corporate website www.fresenius.com.

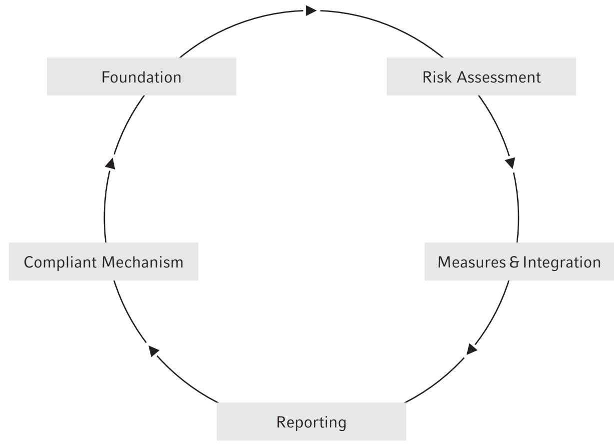
Human rights program

We respect and support human rights as defined in international standards, e.g. the United Nations Charter of Human Rights and the Fundamental Principles of the International Labour Organization (ILO). Our actions are based on the UN Guiding Principles on Business and Human Rights, which were established in Germany through the National Action Plan for Business and Human Rights (NAP) and the CSR reporting obligation. The measures of our human rights program are based on these principles and are continuously under further development, as the graph shows.

Our goals

Our primary goal is to establish appropriate human rights measures for Fresenius, in order to create a solid foundation for the company. Further, we aim to reduce the possible negative human rights impact of our business activities and supply chain, by continually developing these measures.

HUMAN RIGHTS PROGRAM



PROGRESS AND MEASURES IN 2020

Initial risk analysis with identification of topics

In 2019, we launched a Group-wide project on human rights due diligence: We identified those human rights issues and fields of action in all business segments that are particularly relevant to our value chains. In doing so, we considered various factors: In addition to the business models of the business segments, current public debates were taken into account. We also examined current regulatory developments such as National Action Plans (NAPs) on business and human rights.

Risk assessment

On the basis of these identified topics, we developed a methodology for assessing human rights risks (Human Rights Risk Assessment) in the reporting year 2020, together with an external partner and presented it in the Human Rights Council. This methodology takes into account, on the one hand, the severity of the potential human rights risks, e.g., the impact on the people affected and the possibility of restoring the situation. It also takes into account the likelihood of a potential violation of human rights. The Human Rights Risk Assessment will be integrated into Group-wide risk management. The Human Rights Risk Assessment is done by means of moderated workshops in which various relevant business segment departments assess individual risks in joint discussions. At the same time, these workshops foster awareness of human rights issues within the Group. The implementation of the human rights risk assessment has already been started in several business segments. Helios Spain, for example, has implemented the assessment, analyzing their potential risks and opportunities for improvement with respect to human rights with a focus on labor topics in 2020. Implementation in all business segments will be continued in the coming year. In the coming year, topics of the supply and value chain will be the focus of activities.

Human rights training

In 2020, Fresenius Kabi supplemented the e-learning training on the Fresenius Kabi Code of Conduct with a chapter on the topic of human rights. It provides a general introduction to human rights and the responsibility of companies to respect human rights. Employees are familiarized with the content of the human rights statement and the company's positions on illegal child or forced labor, discrimination and equal opportunity, safe working conditions, the right of freedom of association and collective bargaining, protecting personal data, the influence on the environment and responsibility in the supply chain. An e-learning on the Fresenius Kabi Code of Conduct including a human rights chapter is planned to be rolled out at the beginning of 2021.

Fresenius Medical Care for example, held virtual awareness sessions to inform leadership teams about their global Human Rights, Workplace Rights and Labor and Employment Principles in 2020. They are planning to incorporate our requirements and expectations with regard to human rights to a greater extent in the mandatory training for employees on their Code of Ethics and Business Conduct in 2021. Fresenius Medical Care will also include the topic in training programs for procurement personnel on their new Supplier Code of Conduct.

Medical initiatives and projects to improve access to health care

The four business segments set their focus in their contribution to improving access to health care worldwide. Fresenius Medical Care support the development of infrastructure for renal care and cooperates with authorities to offer affordable care to a growing number of patients. With the aid organization Friedensdorf International, Fresenius Helios offers free treatment for children from crisis regions in German Helios clinics. In 2020, Fresenius Kabi, for example, donated essential medicines for the treatment of COVID-19 patients in Brazil. Fresenius Vamed supports development aid on the maintenance of health care for example by providing medical technology services for university hospital Owendo in Libreville / Gabun. In addition, the "Club lifetime", which was founded by Fresenius Vamed in 2005 aims to make an important contribution to the sustainable development for employees and to increase private and occupational health awareness through comprehensive information. The "Club lifetime" recognizes health in a holistic manner and provides sustainable health promotion for employees taking into account social, biological and psychological factors as well as the work environment.

Complaint mechanisms and reporting channels

Employees of all business segments and of Fresenius SE & Co. KGaA can raise their concerns directly with their managers. Employees and external stakeholders may also use dedicated complaint systems to provide information or use designated e-mail addresses to draw attention to possible violations of human rights or other violations. We provide information on these systems on page 159 f. of this report. We strive to continuously improve our processes and, as part of our duty of care, we also analyze how we can further optimize the complaint mechanisms. Based on the requirements of the UN Guiding Principles on Business and Human Rights and the EU Directive on protection against whistleblowers, we developed specific criteria for complaint mechanisms or procedures in 2020.Based on these criteria, an assessment of the reporting system of Fresenius SE & Co. KGaA was conducted this year. The business segments will observe the developments in this area and adapt their processes as needed taking into account the developed criteria.

We are committed to protecting persons reporting complaints in different ways. Therefore, reports can also be made anonymously. Confidential treatment of incoming reports is described in respective guidelines. In addition, at Fresenius SE & Co. KGaA and Fresenius Kabi, ombudsman bodies have been set up. These carry out a preliminary assessment of reports received. We raise awareness for the possibility of reporting potential violations through externally accessible websites. These channels are also accessible to the employees of suppliers.

If we find substantiated concerns or violations of laws and policies, we take appropriate measures. We use the results of internal reviews and reports to review our business processes and implement corrective or improvement measures where necessary.

EVALUATION

If we identify possible defects or shortcomings in products or therapies, we make them transparent and take necessary measures. Many supplier contracts stipulate that our suppliers may be audited; we make use of this right if necessary. Patient safety is the top priority in clinical studies. We comply with ethical, medical and legal requirements and react as soon as there are indications of deviations. Our employees and managers receive training on the respective Code of Conduct. In this way, we ensure that our values and principles of conduct remain anchored in the consciousness of the workforce.

SUPPLY CHAIN

OUR APPROACH

We require our suppliers and business partners to comply with ethical, social, ecological and human rights standards. To this end, they shall introduce processes to ensure compliance with applicable standards. The requirements for our direct suppliers, service providers and other partners are laid down in Codes of Conduct for business partners and suppliers and corresponding contractual clauses. If we suspect that rules of conduct have been or are being violated, we react accordingly. Depending on how serious the misconduct is, we may, for example, introduce additional control measures, such as audits or certifications. In the coming year, topics of the supply and value chain will be the focus of our activities.

Guidelines and regulations

The Codes of Conduct for business partners and suppliers take into account the respective business models of the business segments. The Codes of Conduct are used in purchasing contracts – as annexes or references. Fresenius Medical Care has embedded its expectations in its Global Supplier Code of Conduct. Fresenius SE & Co. KGaA, Fresenius Kabi and Fresenius Vamed have set out their requirements in Codes of Conduct for business partners and suppliers. Fresenius Helios defines its expectations of business partners in the respective contracts. The details of the codes, for example on the regulation of child and forced labor, or on fair working and employment conditions such as working hours and wages, can be found online.

PROGRESS AND MEASURES IN 2020

Supplier evaluation

Transparency in the supply chain is important for identifying and addressing human rights risks.

In 2020, Fresenius Medical Care launched their Global Supplier Code of Conduct, which replaces the previously used Sustainability Principles. The Global Supplier Code of Conduct further specifies their expectations to suppliers. It covers the areas of integrity and ethics, human rights and labor conditions, quality, occupational health and safety, and environmental protection. Fresenius Medical Care is gradually integrating it into their contracts with suppliers and internal guidelines and processes. In 2020, Fresenius Medical Care informed strategic suppliers about the new Global Supplier Code of Conduct and the standards it sets. More than 260 employees in procurement, as well as colleagues from departments such as Legal, Finance and Compliance, participated in internal training courses on the Supplier Code of Conduct. Training will continue in 2021 and beyond.

In the context of their Global Sustainability Program, Fresenius Medical Care launched an initiative to evaluate suppliers based on sustainability risks. This helps to cluster their supplier base according to their sustainability risks, monitor them more closely and take corresponding action. Critical suppliers will be asked to provide information about their sustainability performance, for instance in the form of a self-assessment. Fresenius Medical Care will use this to identify suppliers they want to work with in order to ensure compliance with their sustainability standards. Fresenius Medical Care has also started to monitor social media releases regarding suppliers to expose potential issues. By the end of 2020, the social media presence of more than 20% of their most important suppliers by relevant spend were screened.

In 2020, Fresenius Medical Care set themselves targets to further promote sustainability in the supply chain. As a next step, they are planning to roll out a global e-learning course on sustainable supplier management with the goal of reaching their procurement staff in all countries by the end of 2022.

Fresenius Kabi has identified strategic suppliers that the business segment monitors closely because of their importance to the business; this is managed by Fresenius Kabi's global strategic purchasing organization. Based on defined processes, Fresenius Kabi classifies strategic suppliers according to their risk and evaluates them regularly. The business segment also conducts supplier audits.

Since 2019, Fresenius Kabi assesses the aspects of occupational health and safety, environment, human rights, business ethics and sustainable procurement of strategic suppliers, which has been continued in 2020. This enables Fresenius Kabi to identify potential CSR risks. Subsequently, suppliers can be requested to implement appropriate measures to reduce their CSR risks. Fresenius Kabi is supported in its supplier evaluation by an external service provider that provides sustainability assessments for global supply chains.

At Fresenius Helios in Germany, strategically important suppliers are regularly evaluated based on standardized criteria and processes. The evaluation for 2020 will be conducted in 2021. The last assessment included evaluation of 162 suppliers with a total procurement volume of about € 840 million. Evaluation criteria include quality of processes, IT-infrastructure and quality of operational and strategic cooperation. Besides this current focus, consideration of additional, mainly ecological and social aspects will be required in the future. The new supplier code of conduct, which will be implemented in 2021, will form the basis for this. In addition, procurement of Fresenius Helios in Germany will consider the group-wide unified risk assessment methodology on human rights for further evaluation of their suppliers to enable early identification of potential risks.

Fresenius Helios in Spain has developed a procedure for a general supplier assessment. In this procedure, supplier categories have been defined and detailed criteria for assessment and evaluation of the different groups have been developed. Software to perform supplier evaluation has been selected. Implementation of the project is planned over the next two years within Helios Spain.

At Fresenius Vamed all suppliers worldwide undergo a comprehensive business partner due diligence.

With these measures we identify and review those suppliers with a risk or business profile requiring additional diligence under sustainability aspects based on specific criteria in all business segments. We continuously develop these measures further.

ENVIRONMENT

As a health care Group, Fresenius feels a responsibility to protect the environment and use natural resources carefully because only a healthy environment can be a home for healthy people. It is important to avoid possible negative effects on the environment and health. To this end, we identify and evaluate potential hazards and take the necessary measures to protect the environment. In our Group-wide materiality analysis, we identified the following topics for our internal environmental management strategy as particularly relevant to our core business:

- Water management
- Waste and recycling management
- Climate protection – energy and emissions

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

In its business operations, the Fresenius Group is subject to numerous guidelines and regulatory requirements that must be applied and complied with at all times. We integrate national requirements into our internal guidelines which are defined in ISO-based management systems, among others

The four business segments of the Fresenius Group independently align their environmental management strategy to their respective business models. The foundation of the respective environmental management in our business segments is the ISO 14001 standard. We are continuously expanding the number of sites certified to ISO 14001. In 2020, 4 manufacturing plants were added at Fresenius Kabi. Due to the impact of COVID-19, not all certifications at Helios Spain planned for the 2020 reporting year could be completed. This now scheduled for the first quarter of 2021.

FRESENIUS MEDICAL CARE

Fresenius Medical Care is dedicated to developing, producing, and applying its products and services in a sustainable way. This means that the company pays attention to how its business impacts the environment. Fresenius Medical Care monitors the environmental performance of its operations globally and aim to use resources efficiently. At the same time, the company needs to ensure that the safety and quality of its products and services is not compromised.

Fresenius Medical Care's global Code of Ethics and Business Conduct includes its commitment to work continuously to reduce any adverse effects of its activities on the environment. In accordance with the Code, Fresenius Medical Care is also committed to increasing awareness of environmental issues. The company's standards and procedures for environmental management are defined in various policies and manuals based on regional requirements. One example is the environmental policy for the global Research and Development organization and the manufacturing function in the regions Latin America and Europe Middle East and Africa. In accordance with this policy, complying with environmental laws, enhancing eco-performance, preventing pollution, and recycling waste are core elements of Fresenius Medical Care's efforts to protect the environment.

In the company's vertically integrated organization, responsibility for environmental management is shared between global and regional functions. The Global Manufacturing Quality and Supply function under the leadership of Kent Wanzek, member of the Management Board, is accountable for sustainable plant operations in Fresenius Medical Care's manufacturing business. Responsibility for environmental protection in Fresenius Medical Care's clinics lies with the respective management in the company's four regions.

Fresenius Medical Care identifies and evaluates environmental risks as part of its enterprise risk management. In 2020, the company additionally performed an assessment on water scarcity risks at its manufacturing sites. As part of the Global Sustainability Program, Fresenius Medical Care has set itself the objective to develop and implement a harmonized global environmental strategy, including a new, global environmental policy and impact reduction targets.

Environmental management

Fresenius Medical Care monitors and analyzes environmental data from its clinics and manufacturing sites around the globe. The company uses different systems to monitor energy and water consumption and to help reduce the use of resources. These systems help Fresenius Medical Care to improve the quality and consistency of environmental data. To further increase data quality and boost efficiency in environmental reporting, the company prepared the launch of a new digital eco-reporting tool in 2020. This tool will aggregate regional environmental data on a global level. It also provides the company with a foundation to report further environmental data in the years to come.

Fresenius Medical Care monitors national and international regulations concerning environmental issues on an ongoing basis so that internal policies, guidelines, and standard operating procedures are up-to-date. External certifications complement the company's own environmental standards if they add value. In 2020, a total of 10 production sites were certified according to ISO 14001 standards. In addition, 2 production sites have ISO 50001 certification. Our manufacturing sites, distribution centers, laboratories and clinics are subject to internal and external audits in compliance with applicable laws and regulations.

Reducing the environmental impact

At Fresenius Medical Care's manufacturing sites, the company is involved in local sustainability projects which it reports as part of our global Green & Lean initiative. This is part of the business segment's efforts to continuously improve its environmental performance. The management of each plant is responsible for defining, planning and implementing environmental initiatives. Fresenius Medical Care's Green & Lean reporting enables best practices to be shared across the organization with a view to reducing emissions, promoting the efficient use of natural resources and increasing recycling rates. By the end of 2020, more than 70 initiatives were reported. They demonstrated improved production processes and recycling activities, among others. Consequently, the business segment was able to save water and energy and reduce the amount of waste produced at various manufacturing sites.

FRESENIUS KABI

Fresenius Kabi has implemented mandatory environmental guidelines worldwide, which provide the framework for environmental protection in all Fresenius Kabi's organizations. The guidelines include general principles on how to address and prevent environmental risks as well as how to avoid environmental pollution. Fresenius Kabi also expects careful and responsible handling of nature and its resources from its suppliers; this is set out in the Suppliers' Code of Conduct.

Each Fresenius Kabi manufacturing site must identify environmental protection measures associated with environmental aspects of its activities and services. This can include: emissions to air, water, or soil, consumption of natural resources and raw materials, waste and wastewater, packaging, transport, or other local environmental impacts. Each organization's impact on the environment is evaluated. Necessary environmental protection measures are implemented, and their effectiveness is assessed. In cases of environmental incidents, further activities are defined to avoid negative environmental impacts as far as possible. In addition, using internal audits, Fresenius Kabi identifies further improvement opportunities at its own sites and develops appropriate measures with locally responsible managers to tap that potential.

The business segment also uses an environmental management system in line with the international standard ISO 14001 to improve its environmental performance. A handbook for the management system as well as standard process guidelines provide all certified local units with a framework for their environmental management. The focus of the environmental management system at Fresenius Kabi is primarily on reducing energy and water usage, as well as wastewater, waste, and emissions – depending on the overall production volume.

39 Fresenius Kabi organizations are currently certified according to ISO 14001, 4 additional manufacturing plants have been certified in 2020. The business segment is working to introduce the environmental management system according to the international standard ISO 14001 at all manufacturing plants worldwide by 2026.[1]

Fresenius Kabi has a matrix certification for its global environmental management system, which is audited and certified by TÜV Rheinland annually. Fresenius Kabi continuously monitors certified organizations to ensure that they comply with the standard process guidelines that are binding for them. To this end, globally appointed auditors conduct regular internal audits of the organizations. The local management reviews the environmental management system at least once a year to ensure the continued suitability, appropriateness, and effectiveness of the systems, and to identify potential for improvement. On a global level, the local management reviews of the environmental management system are consolidated, analyzed, and evaluated on an annual basis. Appropriate corrective measures will be initiated if deviations from the requirements of the ISO 14001 management system are identified. The same applies to opportunities for improvement at a global or local level.

Responsibility for environmental management lies with the divisional and local organizations; global management responsibility lies with the central organization, which reports to the responsible member of Fresenius Kabi's management board. The responsible department analyzes and evaluates workflows and processes at the global and local levels, facilitating the exchange of environmental management practices.

[1] The certification roll-out is going to be concluded at all Fresenius Kabi manufacturing plants in 2026. The certification issuance from the individual certification companies may extend into the following year.

FRESENIUS HELIOS

The environment has a direct impact on people's health. As a hospital operator, Fresenius Helios therefore feels a responsibility to protect the climate and the environment. With its environmental management strategy, the business segment works to reduce the environmental impact of hospital operations. It is the aim of Fresenius Helios to control energy consumption, raise employee awareness of the environment, and with these measures, improve the sustainability performance of its hospitals in the long-term.

In Germany, the Infrastructure business unit is responsible for the environmental management strategy of Fresenius Helios hospitals. It supports hospitals in the central purchasing of products or services and in sharing best practice procedures. The business unit reports directly to the Chief Operating Officer (COO) of the parent company Helios Health. Fresenius Helios prepared the introduction of an environmental management system in accordance with ISO 14001 in Germany in 2020. Implementation will start in 2021.

In Spain, environmental management is part of operational management and is assigned to the Quality Management department. In the clinics of Helios Spain, designated environmental officers are responsible for local environmental management. In addition, interdisciplinary working groups define environmental guidelines and support the hospitals in their implementation. This also includes pursuing relevant certifications according to internationally recognized standards: In 2020, Helios Spain started to certify further hospitals in accordance with ISO 14001. In addition, the management policy, which applies to Helios Spain as a whole, contains the following obligations: to protect and preserve the environment, to promote environmental initiatives, to apply environmental protection, and conservation measures, and to comply with the applicable requirements.

Further information on environmental protection at Helios Germany and Helios Spain, can be found in their own sustainability reports 2019.

FRESENIUS VAMED

Fresenius Vamed continuously monitors national and international regulations on environmental and climate protection. Internal principles, guidelines and standard operating procedures are updated as necessary. The division also expects its suppliers to treat the environment and natural resources with care and responsibility; this is set out in the Code of Conduct for Business Partners.

OUR AMBITIONS

As part of our Global Sustainability Program, we have set the objective to develop and implement a harmonized global environmental strategy, including a new, global environmental policy and impact reduction goals. In the framework of our Global Sustainability Program, we are planning to define qualitative environmental goals as well as quantitative reduction targets for greenhouse gas emissions.

Fresenius Kabi is working to introduce the environmental management system according to the international standard ISO 14001 and the energy management system according to ISO 50001 at all manufacturing plants worldwide by 2026.[1] Certified organizations set local targets to continuously improve their environmental and energy performance. Fresenius Helios is evaluating the extent to which the share of renewable energies relative to total energy requirements can be increased at the German clinic sites. The business segment is also exploring opportunities to increase the proportion of energy generated in-house – e.g., by installing photovoltaic systems at its own sites.

At Helios Spain, environmental protection targets are set locally as part of the ISO certifications. The business segment intends to extend the certifications to further Spanish sites. For 2020, Helios Spain also set itself clear targets to reduce electricity and gas consumption in ISO-50001-certified and 14001-certified clinics. In addition, a defined percentage of annual investments is meant for improving environmental and energy performance with sustainable projects.

Over the next two years, Fresenius Vamed plans to evaluate its strategy on the basis of sustainability criteria and to identify performance indicators that will serve the long-term strategic development. This is intended to make successful implementation measurable.

WATER MANAGEMENT

For decades, water consumption has been increasing worldwide and water shortages are occurring in more and more regions.[2] We too need water both in our production plants and in our health facilities. We therefore handle this scarce and vital resource responsibly. We work with management systems and control systems globally to ensure that water quality meets internal and external regulatory requirements so it can be used safely during production, in processes, and in our health facilities. The health of our patients and

[1] The certification roll-out is going to be concluded at all Fresenius Kabi manufacturing plants in 2026. The certification issuance from the individual certification companies may extend into the following year.
[2] Source: https://www.unwater.org/publications/world-water-development-report-2019/

employees must be protected. At the same time, we are committed to avoiding a negative impact on the environment. The aim of our water management is therefore not only to ensure the highest quality but also to avoid polluting the sources from which we obtain water or into which we discharge our wastewater.

WATER USAGE

In the fiscal year 2020, Fresenius[1] consumed a total of 56.2 million m³ of water (2019: 57.3 million m³). Over the last 3 years, a relative reduction in water consumption was achieved, both in relation to sale as well as to FTE. Around 91% came from the municipal water supply, while about 8% was sourced from groundwater. In the hospital sector in particular, water consumption is sourced from the municipal water supply. This is due to the strict hygiene regulations and high demands on water quality in health care facilities. For example, we can only use rainwater in areas that are not critical for patient safety.

OUR APPROACH

Fresenius continuously reviews national and international regulations on water management. Due to these reviews, internal principles, guidelines, and standard operating procedures are always up-to-date or often go beyond regulatory requirements within the framework of global management handbooks.

Since the requirements in our business segments differ, water management at Fresenius is decentralized. Nevertheless, all segments have implemented local, regional, or global management systems to control and manage water resources within their operations. In this way, we can best take into account the specifics and conditions of the respective business models and adapt processes accordingly. The environmental protection departments of the business segments monitor and control the environmental impact of their operations. They strategically analyze environmentally relevant vulnerabilities, develop suitable standard procedures, and implement appropriate measures.

Fresenius Medical Care

Large amounts of water are required for hemodialysis treatment and for cleaning and setting up the machines. The water for dialysis must have a high quality to avoid infections for patients. For this reason, most of the water used by Fresenius Medical Care is municipal water.

In 2020, Fresenius Medical Care's reported water consumption decreased by 3% compared to the preceding year. In the United States, the business segment runs a program focused on reducing water during its pre-treatment process. This water reduction program within Fresenius Medical Care's clinics attributed to the decline of water consumption.

In the reporting year, Fresenius Medical Care performed a water scarcity risk assessment of its manufacturing sites with the Aqueduct tool of the World Resources Institute. According to the assessment, 7% of the sites are in areas defined as area locations with an extremely high risk of water scarcity. In a next step, the company is planning to analyze water scarcity risks for the locations of its clinics.

WATER CONSUMPTION FRESENIUS GROUP[1]

m³ in millions	2020	2019	2018	2017
Fresenius Medical Care	**41.7**	43.2	42.1	n.a..
Fresenius Kabi	**9.6**	9.6	9.7	9.8
Fresenius Helios	**4.1**	3.8	3.7	3.2
Fresenius Vamed	**0.8**	0.7	0.7	0.3
Total	**56.2**	57.3	56.2	n.a.

FRESENIUS GROUP[1] RELATIVE WATER CONSUMPTION

in m³	2020	2019	2018
Water consumption/€ 1 million sales	**1,549**	1,612	1,676
Water consumption/FTE	**203.1**	218.7	228.2

Fresenius Kabi

Water is mainly used in Fresenius Kabi's products and as process water in its production facilities. Fresenius Kabi's global environmental standard operating procedures and working instructions include instructions for the responsible handling of water, including wastewater. Each of Fresenius Kabi's manufacturing sites is required to evaluate its environmental impact, e.g., water usage and wastewater. Water discharges are managed locally at the sites in accordance with applicable local regulations.

As part of the evaluation of each ISO-14001-certified manufacturing site's environmental impact, processes with a significant effect on water usage and the business segment's influence on these processes are being evaluated. Based on the results, water saving measures are implemented.

[1] Fresenius Medical Care figures include energy and water consumption at production sites, as well as electricity and water consumption at dialysis centers. Greenhouse gases are calculated based on energy data. Fresenius Kabi's data includes all facilities worldwide. The data from Fresenius Helios encompasses as of 2018 all hospitals in Spain. Fresenius Vamed's data includes all fully consolidated health care facilities and service entities, and, as of 2018, the German post-acute care business transferred from Fresenius Helios to Fresenius Vamed. If data of the business segments is not available in time, it is extrapolated on the basis of existing data. An adjustment will be made in the next report. Prior-year information was adjusted to conform to the current year's presentation.

Fresenius Helios

As a hospital operator, the availability and quality of water is extremely important to Fresenius Helios, in all countries and at all sites. The focus of water management at the Helios clinics is therefore on ensuring an uninterrupted supply of water of consistently high quality and to preventing microbiological contamination. Compliance with the respective applicable regulatory requirements, e.g., the Trinkwasserverordnung (Drinking Water Ordinance) in Germany, has top priority. In order not to endanger patients, employees, and other people at any time, water management is closely linked to hygiene management.

The use of water as a resource in health care facilities is subject to strict legal requirements. In addition, the hospital's own guidelines and specifications determine the hospital-specific procedures. Further internal requirements regarding drinking water quality apply. These must be implemented in all Fresenius Helios facilities.

For the discharge of wastewater, Fresenius Helios must comply with strict regional and local legal requirements, which are monitored within the respective wastewater treatment plants. Deviations are reported directly to the hospital concerned and forwarded to all responsible departments through established reporting chains. After evaluating the incident, Fresenius Helios checks whether technical improvements or changes to processes and additional training will ensure that the requirements are met in future.

Fresenius Vamed

For Fresenius Vamed, a sufficient supply of fresh water for patient well-being and hygiene is a central element in the planning, construction and operation of health care facilities. The health care facilities built by Fresenius Vamed use construction and sanitation technology that enables optimal water management – adapted to local regulations. Fresenius Vamed has introduced ISO 14001 certification for its lead companies as an integrated management system for sustainable water management in the company.

Fresenius Vamed uses local management systems, process owners, and operating procedures to ensure that the respective local guidelines on water and wastewater are strictly adhered to. The internal principles, guidelines, and standard operating procedures are adapted to the applicable regulatory requirements.

WASTE AND RECYCLING MANAGEMENT

Natural resources are becoming increasingly scarce all over the world. We can only operate sustainably if we use the raw materials available to us efficiently. This also includes the responsible handling of waste - because it contains valuable resources that can be returned to production. Through systematic waste management we reduce our material consumption and minimize the amount of waste produced. In the health sector, strict hygiene requirements apply to the materials used and to the safe disposal of hazardous waste. With clear internal guidelines and comprehensive controls, we ensure that these are complied with.

OUR APPROACH

As a health care Group, Fresenius believes that professional, safe waste disposal goes hand in hand with the requirements of hygiene and sterility in production processes and treatments in hospitals. Our approach extends from the selection of suitable disposal containers to cleaning and sterilization procedures and the occupational safety of our employees in the disposal of hazardous, e.g., infectious, waste.

The handling of waste in the health sector is strictly regulated. Fundamentally, waste must not pose a danger to our patients, our employees, or the environment. Our production processes and our treatments in health care facilities must always be hygienic and sterile. All business segments must always dispose of their waste professionally and safely.

As the business models of our business segments are very different, Fresenius manages waste management on a decentralized basis.

The four business segments each ensure that all Fresenius sites comply with the laws and regulations applicable to waste disposal. The four divisions are responsible for assessing individual risks and, if necessary, establishing internal guidelines for dealing with waste. The business segments provide training to our employees and carry out checks to ensure that the standards contained therein are adhered to.

Fresenius Medical Care

In 2020, Fresenius Medical Care increased its focus on waste. The company analyzed the waste streams of its manufacturing sites and clinics in all of its regions, to cover applicable laws and regulations. Fresenius Medical Care aims to continuously improve its waste management. In the context of the Global Sustainability Program, Fresenius Medical Care is planning to develop a global approach to consolidate waste data and define reduction targets. Waste initiatives in 2020 targeted the recycling and reuse of resources. To improve its environmental impact, Fresenius Medical Care intends to increase the recycle rate and separate materials more effectively. The company launched initiatives at various sites to recycle materials such as paper, cardboard boxes, aluminum and metal cans as well as plastic canisters, bags and bottles. By doing so, the company reduced the amount of landfill waste.

Fresenius Kabi

Waste at Fresenius Kabi is mainly generated as by-products of production processes or packaging material of the product containers in hospitals and private or nursing homes. This includes non-hazardous as well as hazardous waste, i.e. solvents, cytostatics, or antibiotics. To a large extent, the internally generated waste is recycled. Non-recyclable hazardous waste is mainly incinerated, and the resulting energy recovered.

The company’s global environmental standard operating procedures include global instructions for waste management. The instructions build a global framework for the business segment’s waste management and set minimum requirements for Fresenius Kabi’s own facilities.

Each of Fresenius Kabi’s manufacturing sites is required to separate its waste according to local regulations and to store the waste considering measures to protect the environment, e.g. to avoid contamination. The local Fresenius Kabi organizations are responsible for the disposal of waste in accordance with the applicable local regulations. If necessary, local training courses on waste management are conducted. Regular audits of the commissioned waste disposal companies are conducted by the local organization to ensure compliance with the applicable local regulations.

As part of the evaluation of ISO-14001-certified organizations processes that significantly contribute to the generation of waste as well as the company’s influence on these processes are identified. The business segment also considers the conservation of resources and options for recycling or reuse of the generated waste. Based on the evaluation, measures are implemented to reduce waste or increase the recycling rate.

In 2020, the share of recycled waste [1] in the total internally generated waste from manufacturing plants, compounding centers, and logistics sites changed as follows: for non-hazardous waste, the proportion decreased from 76% to 74% compared to the previous year; for hazardous waste, it increased from 79% to 85% in the same period.[2] The share of recycled waste in total waste includes waste that is sent for recycling, reuse, and recovery, including energy recovery.

[1] As some confirmations, for example of the recovery quantity, are only available after the report has been prepared, these figures are estimated in some case
[2] Hazardous / non-hazardous waste in accordance with the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal of March 22, 1989.

Fresenius Helios

Fresenius Helios sees waste disposal management as a process. This begins with waste avoidance and continues through to consistent recycling or environmentally friendly disposal. In hospital operations, the business segment must always meet the strict hygiene requirements: medical instruments and aids are cleaned and packed separately so that they can be sterile reused. In addition, various disposable medical products are used. This results in waste, the professional and safe disposal of which must be guaranteed. The Fresenius Helios facilities are subject to strict regulations. Specially trained personnel in the clinics are responsible for ensuring that the respective requirements are met.

When disposing of waste, Fresenius Helios must take into account not only the requirements of environmental protection, occupational safety, and infection control, but also specific hospital hygiene requirements. Appropriate disposal containers and cleaning and sterilization procedures must be used. As employees sometimes dispose of hazardous, e.g., infectious waste, they must be protected by occupational safety measures.

Fresenius Vamed

The waste generated in all of Fresenius Vamed's business processes is disposed of in accordance with regional, national and industry-specific regulations. The local management of the health care facilities is responsible for compliance with the guidelines. Reusable waste is processed in respective recycling processes. Other waste is disposed of by composting or incineration or is sent to landfill. For clinical and hazardous waste, the individual facilities of Fresenius Vamed cooperate with local disposal companies, who ensure that the waste is disposed of in compliance with the law.

Fresenius Vamed also implements recycling initiatives in its facilities. The business segment works together with patients to ensure correct waste separation, for example. The health care facilities built by Fresenius Vamed use construction and sanitation technology that enables optimal resource management adapted to local regulations. The provision of technical management services is a major business segment of Fresenius Vamed. One focus of our activities is to ensure the longevity of technical systems through maintenance and repair.

EVALUATION

No Group results are available for waste management in fiscal 2020. Although no effects can yet be reported at Group level, we report on the measures initiated in the reporting year and related progress in the business segments.

CLIMATE PROTECTION – ENERGY AND EMISSIONS

Climate change and its effects are also impacting Fresenius: for example, in health care facilities we have to prepare for rising temperatures or the increase in severe weather events in order to protect the health of patients at all times. Our production processes and the operation of health care facilities require a high level of energy input. Energy-efficiency measures can lead to short and long-term cost savings; in addition, through the increased usage of renewable energies, they also make an important contribution to climate protection.

ENERGY CONSUMPTION AND EMISSIONS

Fresenius continuously invests in new buildings and modernizations that meet the latest energy standards and legal requirements. Fresenius[1] consumed a total of about 5.5 million MWh of energy in 2020; the main energy sources were natural gas (45% of total consumption), electricity (44% of total energy consumption), and district heating (3% of total energy consumption). When purchasing energy, we consider efficiency requirements and changes in demand. We are exploring the possible use of renewable energies and already generate our own electricity at numerous sites. In 2020, the share of renewable energy consumption was 2%. Among the main energy sources, electricity demand is our most material driver of CO_2 emissions. Accordingly, Scope 2 emissions are higher than Scope 1 emissions in all business segments. In 2020, Fresenius generated a total of 1,521 thousand metric tons of CO_2 equivalents (2019: 1.510 thousand tons of CO_2 equivalents).

[1] Fresenius Medical Care figures include energy and water consumption at production sites, as well as electricity and water consumption at dialysis centers. Greenhouse gases are calculated based on energy data. Fresenius Kabi's data includes all facilities worldwide. The data from Fresenius Helios encompasses as of 2018 all hospitals in Spain. Fresenius Vamed's data includes all fully consolidated health care facilities and service entities, and, as of 2018, the German post-acute care business transferred from Fresenius Helios to Fresenius Vamed. If data of the business segments is not available in time, it is extrapolated on the basis of existing data. An adjustment will be made in the next report. Prior-year information was adjusted to conform to the current year's presentation.

OUR APPROACH

In energy management and climate protection, our aim is to go beyond the legal framework to identify ways of minimizing the impact on the environment and to implement these in our management approaches. In 2020, the divisions focused primarily on the topics of efficiency enhancement, energy saving, and thus the reduction of CO_2 emissions.

Disruption-free energy supply is a top priority for Fresenius in order to ensure patient safety and smooth production. We always examine possible energy-saving measures with the greatest care.

The energy management system is geared to the requirements of the respective business segments and is certified according to ISO 50001. In 2020, Fresenius Helios, as the largest private hospital operator in Germany, obtained the certificate for the energy management system in accordance with the ISO 50001 standard for all its companies, facilities, clinics, and medical care centers. At the same time, the certification was also carried out and achieved for the rehabilitation clinics of VAMED Gesundheit Holding Deutschland GmbH and their associated facilities.

Fresenius Medical Care

Fresenius Medical Care monitors the energy consumption in its manufacturing sites as well as the electricity consumption in its dialysis centers. The company introduced measures to reduce energy consumption in several of its production sites in 2020, including the installation of improved energy meters to identify potential energy savings. In addition, Fresenius Medical Care optimized engines and chillers to improve its production capabilities and adapt them better to environmental conditions. Fresenius Medical Care will continue to replace fluorescent lighting with LED lighting in selected warehouses and production areas to save energy.

FRESENIUS GROUP[1] GREENHOUSE GAS EMISSIONS (GHG) SCOPE 1 AND 2

t CO_2 equivalents in thou.	2020	2019	2018	2017
Fresenius Medical Care	**769**	774	776	n.a.
Scope 1	**242**	227	219	n.a.
Scope 2	**527**	547	557	n.a.
Fresenius Kabi	**424**	414	424	422
Scope 1	**159**	165	169	174
Scope 2	**265**	250	255	248
Fresenius Helios	**287**	285	296	255
Scope 1	**112**	107	114	103
Scope 2	**175**	178	182	152
Fresenius Vamed	**41**	36	38	9
Scope 1	**24**	18	19	3
Scope 2	**17**	18	19	6
Total	**1,521**	1,510	1,534	n.a.
Scope 1	**537**	517	521	n.a.
Scope 2	**984**	993	1,013	n.a.

GHG emissions in t CO_2e

FRESENIUS GROUP[1] ENERGY CONSUMPTION

MWh in millions	2020	2019	2018	2017
Fresenius Medical Care	**2.49**	2.43	2.38	n.a.
Fresenius Kabi	**1.67**	1.64	1.65	1.57
Fresenius Helios	**1.16**	1.09	1.14	0.95
Fresenius Vamed	**0.19**	0.16	0.17	0.05
Total	**5.51**	5.32	5.34	n.a.

FRESENIUS GROUP[1] RELATIVE ENERGY CONSUMPTION

in MWh	2020	2019	2018
Energy consumption/€ 1 million sales	**152**	150	159
Energy consumption/FTE	**19.9**	20.3	21.7

FRESENIUS GROUP[1] RELATIVE GHG EMISSIONS SCOPE 1 AND 2

t CO_2 equivalents in thou.	2020	2019	2018
t CO_2 equivalents/€ 1 million sales	**42**	43	46
t CO_2 equivalents/FTE	**5.5**	5.8	6.2

[1] Fresenius Medical Care figures include energy and water consumption at production sites, as well as electricity and water consumption at dialysis centers. Greenhouse gases are calculated based on energy data. Fresenius Kabi's data includes all facilities worldwide. The data from Fresenius Helios encompasses as of 2018 all hospitals in Spain. Fresenius Vamed's data includes all fully consolidated health care facilities and service entities, and, as of 2018, the German post-acute care business transferred from Fresenius Helios to Fresenius Vamed. If data of the business segments is not available in time, it is extrapolated on the basis of existing data. An adjustment will be made in the next report. Prior-year information was adjusted to conform to the current year's presentation.

As part of its Global Sustainability Program, Fresenius Medical Care assessed its renewable energy impact. To calculate this, the company used the country-specific average share of renewables needed to produce electricity. According to this calculation, renewables accounted for 21% of total electricity consumption in 2020.

Fresenius Kabi

Fresenius Kabi sources energy from external sources, which includes the purchase of renewable energy. The business segment also generates electricity in its own facilities and uses, for example, combined heat and power systems.

Fresenius Kabi's global environmental standard operating procedures include global instructions for responsible handling of energy in its own facilities. Each manufacturing site is required to evaluate the environmental impact, e.g., from emissions and consumption of natural resources.

In addition, the business segment uses an energy management system in line with the international standard ISO 50001 to improve its energy performance. A handbook for the management system as well as standard process guidelines provide all certified local units with a framework for their energy management. The focus of the management system at Fresenius Kabi is primarily on reducing energy usage and emissions – depending on the overall production volume.

Currently, 18 organizations are certified according to ISO 50001, 4 additional manufacturing plants have been included in the certification in 2020. Fresenius Kabi is working to introduce the energy management system according to the international standard ISO 50001 at all manufacturing plants worldwide by 2026[1]. Certified organizations set local targets to continuously improve their energy performance.

Fresenius Kabi has a matrix certification for its global energy management system, which is audited and certified by TÜV Rheinland annually. Fresenius Kabi continuously monitors certified organizations to ensure that they comply with the standard process guidelines that are binding for them. To this end, globally appointed auditors conduct regular internal audits of the organizations. The local management reviews the respective energy management system at least once a year to ensure the continued suitability, appropriateness, and effectiveness of the system, and to identify potential for improvement. On a global level, the local management reviews of the energy management system are consolidated, analyzed, and evaluated on an annual basis. Appropriate corrective measures will be initiated if deviations from the requirements of the ISO 50001 management system are identified. The same applies to opportunities for improvement at a global or local level.

Responsibility for energy management lies with the divisional and local organizations; global management responsibility lies with the central organization, which reports to the responsible member of Fresenius Kabi's management board. The responsible department analyzes and evaluates workflows and processes at the global and local levels, facilitating the exchange of energy management practices.

Fresenius Helios

The rising temperatures resulting from climate change are also affecting Fresenius Helios' business operations, especially in Spain. In recent years, refrigeration technology, which serves to cool technical equipment and hospital rooms, has become more important for hospital operations than heat generation. In addition, more frequent severe weather events such as heavy rainfall or flooding may pose a potential threat to the health care services of hospitals.

Further impacts of climate change on human health are likely: changes such as vector-borne infectious diseases (e.g., by mosquitoes, which are spreading into new areas as a result of climate change) can, for example, influence the range of treatments offered by the facilities.

Implementation of the energy management system in accordance with ISO 50001 was completed at all Fresenius Helios sites in Germany at the end of 2020.

In Germany, the Infrastructure business unit has established a central energy procurement and management system that records the energy consumption of each site. Helios Germany uses this system to compare consumption figures and to initiate improvement measures. Helios Germany's own energy supplier, HKG Energiedienstleistungen GmbH, is responsible for energy procurement. The clinics of Helios Germany were audited until the end of 2019 according to

[1] The certification roll-out is going to be concluded at all Fresenius Kabi manufacturing plants in 2026. The certification issuance from the individual certification companies may extend into the following year.

the EDL-G in compliance with DIN EN 16247. With the introduction of the energy management system according to EN ISO 50001 in 2020, the EDL-G will continue to be operated seamlessly.

A total of six Helios Spain sites employ an energy management system according to ISO 50001. These hospitals achieved improvements and optimized their energy consumption. In addition, improvements in energy efficiency shall be achieved in the Spanish hospitals not previously certified to ISO 50001. The division also plans to have further hospitals certified in the next few years. Helios Spain also analyses its energy management risks and uses renewable energy sources in some clinics.

In order to ensure an uninterrupted energy supply at all times, every Fresenius Helios hospital has a main backup system: in the event of a power outage, this system guarantees within a few seconds the security supply of the main energy consumers in the clinics. In order to safeguard this protection, these emergency power systems are inspected and tested regularly, at least once a year.

Fresenius Vamed

The respective management team is directly responsible for energy and emissions management of Fresenius Vamed's health care facilities. The effectiveness of energy management measures in the certified business segments is assessed by regular independent audits as part of the ISO 50001 certification. In Germany, the certification was implemented jointly by the Infrastructure business unit of the Fresenius Helios hospitals. The certification process was successfully finalized end of 2020.

ENVIRONMENT – PROGRESS AND MEASURES 2020

Our business sectors achieved the following progress and measures for environmental protection in the focus areas of water management, waste and recycling management, energy management, and climate protection.

FRESENIUS MEDICAL CARE

Improve products and use resources more efficiently

Fresenius Medical Care counts on innovations to improve the environmental performance of its products and services. Most of the water utilized by Fresenius Medical Care is needed to produce dialysate during life-saving treatments in the company's dialysis centers. Fresenius Medical Care's latest dialysis machine generations, the 5008 and 6008 series, are both designed to be more eco-friendly. They automatically adjust the dialysate flow to the patient's blood flow. This allows Fresenius Medical Care to save substantial amounts of dialysate, water, and energy while maintaining a consistently high dialysis quality.

The 2008T BlueStar machine is another example of Fresenius Medical Care's ongoing efforts to limit the environmental footprint of dialysis. Compared to similar devices, the 2008T machine features an idle mode to reduce dialysate and water usage by up to two-thirds, thus saving additional costs. In 2020, almost every second dialysis machine we produced belonged to one of these resource-friendly machine generations.

Life Cycle Assessments

Fresenius Medical Care also conducts simplified product life cycle assessments for selected products. By assessing the environmental impact along a product's life cycle from raw material extraction to production, distribution, use, and disposal, the company can identify processes and materials that it needs to focus on to improve the eco-performance of its products and services. Based on international guidelines, Fresenius Medical Care calculates the environmental impact caused during the different stages of a product's life cycle in accordance with ISO 14001 and the IEC 60601-1-9 standards. The latter standard applies to efforts to reduce the adverse environmental impacts of medical electrical equipment. Fresenius Medical Care currently applies such life cycle assessments to the majority of its medical device product lines. The company is gradually extending them to disposables, including bloodlines and peritoneal dialysis bags. Fresenius Medical Care has also assessed the environmental impact of its dialysis machines and identified the life cycle phase with the highest impact. In 2021, Fresenius Medical Care is planning to increasingly consider sustainability aspects in its research and development activities.

In addition, Fresenius Medical Care has conducted detailed comparative product life cycle assessments for important disposables. The assessments follow the structure and requirements of the ISO 14040/44 standards and compare the eco-performance of several of its acid concentrates and dialyzers.

Reduced water consumption

To generate water savings at its manufacturing sites, Fresenius Medical Care engaged in several initiatives in 2020. The business segment managed to reduce water consumption by optimizing the pure water discharge processes as well as reducing the feeding frequency of water treatment with salt or other liquids used for tank cleaning. Further, several plants reclaimed water and wastewater to reuse it in other parts of the plant. This allowed the business segment to minimize the total usage of water and the amount of contaminated water.

Self-sufficiency and improved transport systems

Fresenius Medical Care is working on different projects to reduce GHG emissions. Its biggest plant in St. Wendel, Germany, accounted for around one fourth of the total GHG emissions reported by Fresenius Medical Care's manufacturing sites in 2020. The company operates an internal gas power plant with a heat recovery steam generator. This allows the company to generate close to 100% of the electricity used at this site on its own. Here, in 2020, the business segment was able to save more than 23,800 tons of CO_2 compared to buying an energy mix from the electricity grid. This corresponds to a global avoidance of CO_2 emissions of 6% for total manufacturing.

In 2020, Fresenius Medical Care worked on further saving measures, including different transportation packaging systems. These allow the company to carry more products at a time, resulting in reduced fuel consumption and, consequently, lower CO_2 emissions. As part of the Global Sustainability Program, Fresenius Medical Care is planning to define qualitative environmental goals as well as quantitative reduction targets for GHG emissions.

FRESENIUS KABI

Information platform for energy and water management

In 2019, Fresenius Kabi established an internal information platform for exchanging information on energy and water management practices, which is directed at all relevant production sites. This exchange has already produced ideas for improvements, which resulted in eight energy-saving projects and five water-saving projects of which the implementation began 2020.

Product improvements to save materials

In the enteral nutrition product segment, for example, Fresenius Kabi is continuously working on reducing the material consumption of its product packaging. This also contributes to reducing plastic waste from product packaging. The amount of plastic used for the enteral container EasyBottle (200 ml) has already been reduced from 20 g to 16 g in the recent years. In addition, Fresenius Kabi has been delivering the EasyBottle without a drinking straw since 2019 in order to avoid plastic waste from drinking straws. Through these steps, the amount of plastic used for the EasyBottle has already been reduced by almost 5 g or 23% of the original weight. In 2020, the business segment managed to reduce the weight of the EasyBottle again by more than 12% of the previous weight. Production of the lighter EasyBottle started in 2020.

In order to analyze the environmental performance of the EasyBag – another of Fresenius Kabi's product packaging for enteral nutrition – over the product lifecycle, the business segment commissioned an external institute to conduct a lifecycle assessment. The environmental performance of the EasyBag was assessed and compared with other product packaging for enteral nutrition over the various phases of the product life cycle – from raw material extraction to, production, use, and disposal. Overall, the EasyBag performed better according to the environmental criteria than comparable product packaging in the market. This is particularly due to the low material consumption: the EasyBag is 60% lighter than the average product packaging for enteral nutrition available on the market and thus generates about 85% less plastic waste in volume.

Fresenius Kabi also attaches great importance to environmentally friendly materials for the outer packaging of the enteral nutrition products. In the enteral nutrition product segment, cardboard boxes are used that are made from 100% FSC-MIX certified materials. The cartons MIX-certified by the Forest Stewardship Council (FSC) are made from a mixture of materials from certified forests, recycled material, or controlled wood.

Energy savings in production

Fresenius Kabi continuously works to improve its energy and environmental performance. In 2020, for example, Fresenius Kabi replaced an air compressor with a new, more efficient one at its plant in Bad Homburg. This can reduce the energy consumption by approximately 57 MWh of energy or 14 tons of CO_2. In addition, the steam traps were tested at the same location. The test enabled the optimization of the condensate conductor, which has lead to energy savings of approximately 263 MWh of energy or 53 tons of CO_2.

FRESENIUS HELIOS

In-house generation at the Helios clinics

Helios Germany's covers a low double-digit percentage of total electricity requirements by electricity generated in-house. This provides a secure and uninterrupted energy supply to the clinics. Thanks to its own power generation, Fresenius Helios saves CO_2 at its German hospital sites compared to purchasing it entirely from outside sources. Thanks to its balanced electricity supply, Helios also counters fluctuating prices on the energy market. With regard to the construction of alternative technologies for energy generation (e.g. photovoltaic systems), Helios Germany carefully considers in advance whether this form of in-house generation is legally permitted under energy legislation.

Seven Helios Spain clinics use thermal solar energy and photovoltaic systems to generate energy. To generate thermal energy, the division also uses micro cogeneration plants at two clinics and biomass at another clinic.

Sites and infrastructure

Fresenius Helios relies on an external service provider for the timely collection of energy data from the German hospitals. Evaluation and assessment are carried out centrally by the Infrastructure business unit. Various parameters can be controlled via a central portal – from the price of electricity on the energy market to the hospitals' respective energy consumption. In order to monitor energy flows more precisely, a measurement concept is being implemented at relevant sites. This is an essential component to meet the requirements of the ISO-50001 standard.

With the help of its central energy procurement and management system, Fresenius Helios can compare the consumption values of the clinics, initiate targeted improvement measures, and share best practices from individual clinics within the company.

FRESENIUS VAMED

Water-saving and environmentally friendly technologies

In project business, Fresenius Vamed ensures that the latest generation of water-saving technologies is used. Future operators and employees receive comprehensive training. The participants learn, for example, how they can save water most effectively. In the non-European markets, the business segment uses fully biological sewage treatment plants in its project business to treat wastewater. In the reporting period, Fresenius Vamed integrated such a plant into a project in Trinidad and Tobago.

CO_2-neutral power supply

The majority of Fresenius Vamed's consolidated health care facilities in Austria are supplied with CO_2-neutral electricity from hydropower. Fresenius Vamed also obtains a modest amount of energy from its own combined heat and power plants in Germany. Swiss healthcare facilities purchase regional electricity, some of which comes from renewable sources.

LEED standard for VAMED

During its project developments for new functional buildings, VAMED consults during processes and awarding of contracts for services in accordance with the specifications of the sustainability standard LEED (Leadership in Energy and Environmental Design) and incorporates them into energy-conscious construction at the Gold quality level.

REPORT PROFILE

We want to inform our stakeholders transparently about our sustainability activities through this report. The report meets the regulatory requirements for a separate Group Non-financial Report. It was prepared in accordance with Section 315c in connection with Sections 289c to 289e of the German Commercial Code (HGB). Together with the additional information we offer on our website, it forms our Sustainability Report 2020. In accordance with Section 289d HGB § 289d HGB, Fresenius SE & Co. KGaA uses the international sustainability standard of the Global Reporting Initiative (GRI) for the structured description of management approaches. This report contains a materiality analysis in accordance with GRI 102-46 (determination of report content and topic delimitation) and the legal requirements. Furthermore, the management approaches are presented in accordance with GRI 103.

REPORT FRAMEWORK

This separate Group Non-financial Report covers the financial year (calendar year) 2020 and relates to the Group including its four business segments, i.e. all fully consolidated companies that are subject to the legal or actual control of Fresenius SE & Co. KGaA, Bad Homburg v. d. H., Germany. The notes to the consolidated financial statements in the Annual Report contain further information, see pages 229 ff. Deviations from this reporting framework are marked in the appropriate place. References to data or information outside of the Group Management Report or the Notes are considered further information and are not part of the separate Group Non-financial Report. The report is published annually as a separate Group Non-financial Report and is part of the Annual Report. The last separate Group Non-financial Report was published in March 2020.

DETERMINATION OF THE CONTENTS OF THE REPORT

We base our choice of report content on the GRI standards, the principles of materiality and the requirements of our stakeholders, especially the capital market. In addition, the United Nations' Sustainable Development Goals (SDGs) serve as a framework for identifying and aligning our sustainability activities. In the year under review, we conducted a comprehensive materiality analysis, see pages 110 f. for more information. Experts from the four business segments as well as relevant Group functions have reviewed and validated the results. The content of this separate Group Non-financial Report was defined in accordance with Sections 289c (2) and (3) HGB for the principle of dual materiality. The Management Board has reviewed and approved this report. The contents of the have also been examined by the Supervisory Board of Fresenius SE & Co. KGaA in accordance with Section 171 (1) of the German Stock Corporation Act (AktG). The Supervisory Board made use of the option pursuant to Section 111 (2) of the German Stock Corporation Act (AktG) to commission an external audit by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

EXTERNAL AUDIT

Auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft submitted the information in the separate Group Non-financial Report to an audit according to ISAE 3000 (Revised) to obtain limited assurance against the relevant legal requirements and issued an independent audit certificate.

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING [1]

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

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Fresenius SE & Co. KGaA, Bad Homburg, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Report").

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Evaluation of the implementation of central management requirements, processes, and specifications regarding data collection through targeted sample testing at selected sites
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

ASSURANCE CONCLUSION

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, February 22, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Nicolette Behncke	ppa. Mirjam Kolmar
Wirtschaftsprüfer	
[German Public Auditor]	

CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE DECLARATION.

The Supervisory Board and the Management Board are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Long-term corporate strategies, solid financial management, strict adherence to legal and ethical business standards, and transparency in corporate communication are key factors.

In this Corporate Governance Declaration, the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE (Management Board), report on corporate management pursuant to Sections 289 f and 315 d of the German Commercial Code (HGB) and on the corporate governance of the Company pursuant to the German Corporate Governance Code. The Corporate Governance Declaration is published on our website, see www.fresenius.com/corporate-governance.

CORPORATE GOVERNANCE DECLARATION

GROUP MANAGEMENT AND SUPERVISION STRUCTURE AND CORPORATE BODIES

GROUP MANAGEMENT AND SUPERVISION STRUCTURE

The Company has the legal form of a KGaA (Kommanditgesellschaft auf Aktien – partnership limited by shares). The **Annual General Meeting**, the **Supervisory Board**, and the **general partner** Fresenius Management SE are the legal corporate bodies. There have been no changes in the Group management and the supervision structure in the reporting period. The chart on the following page provides an overview of the Group structure.

The articles of association of Fresenius SE & Co. KGaA, which, in addition to legal provisions, further define the responsibilities of the individual corporate bodies, can be downloaded from our website, see www.fresenius.com/corporate-governance.

SHAREHOLDERS

The shareholders uphold their rights at the Annual General Meeting, where they exercise their **voting rights**. Every ordinary share of Fresenius SE & Co. KGaA confers one vote. None of the shares carry multiple or preferential voting rights.

We report in detail on our investor relations activities in the section "Fresenius share" on page 34.

ANNUAL GENERAL MEETING

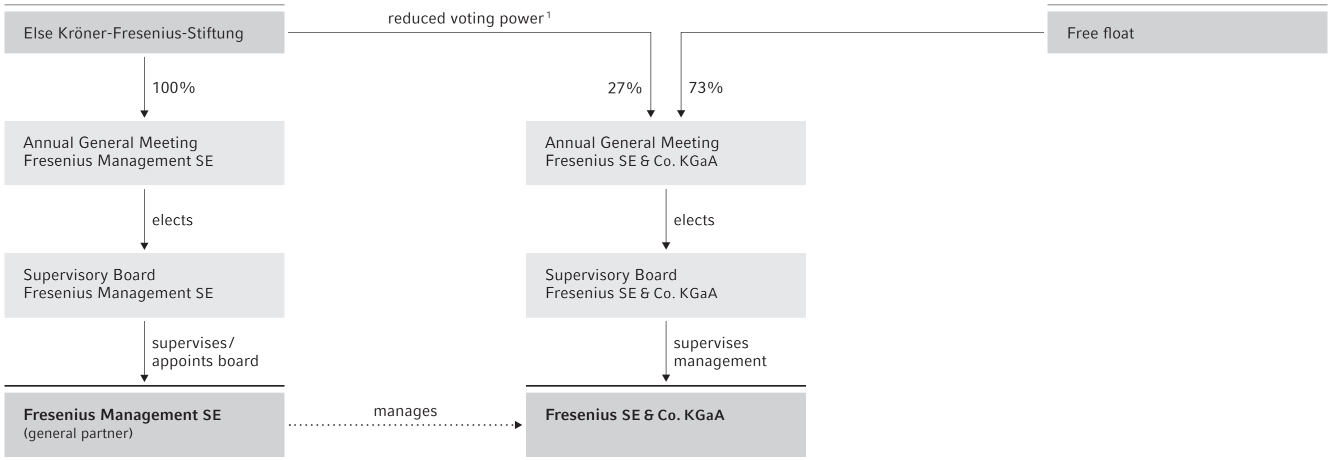
Our virtual Annual General Meeting (AGM) was held on August 28, 2020, in Bad Homburg vor der Höhe. Approximately 73% of the share capital was represented. The Annual General Meeting was originally scheduled for May 20, 2020, but was postponed due to the Covid-19 pandemic. In order to protect the health of the shareholders and the employees and external partners involved in the organization, Fresenius took advantage of the option provided by law to hold the Annual General Meeting virtually.

During the AGM, the shareholders approved the proposal made by the general partner and the Supervisory Board to increase the 2019 dividend by 5% to €0.84 per ordinary share with a majority of more than 99% of the votes cast. Shareholder majorities of around 99% and 85%, respectively, approved the actions of the general partner and the Supervisory Board in 2019.

With regard to certain subject matters, legally required voting right exclusions exist for the general partner and in some instances for its sole shareholder, the Else Kröner-Fresenius-Stiftung. These pertain, for example, to the appointment of the Supervisory Board of Fresenius SE & Co. KGaA, the approvals of the actions of the general partner and the members of the Supervisory Board, and the selection of the auditor. This guarantees that the remaining shareholders retain the sole authority to decide on these matters, especially those that pertain to the supervision of management.

Documents and information on the Annual General Meeting, as well as the voting results, are available on our website at www.fresenius.com/annual-general-meeting.

STRUCTURE OF FRESENIUS SE & CO. KGAA



[1] For selected items no voting power, e.g., election of Supervisory Board of Fresenius SE & Co. KGaA, discharge of general partner and Supervisory Board of Fresenius SE & Co. KGaA, election of the auditor

MANAGEMENT BOARD AND SUPERVISORY BOARD PROCEDURES

The **responsibilities** are distributed as follows in Fresenius SE & Co. KGaA: the Management Board of the general partner is responsible for conducting the business of Fresenius SE & Co. KGaA. The Supervisory Board of Fresenius SE & Co. KGaA supervises the management of the Company's business by the general partner.

General partner – Management and Supervisory Boards

The general partner, Fresenius Management SE, represented by its Management Board, manages Fresenius SE & Co. KGaA at its own responsibility and conducts its business. The Management Board formulates the Company's strategy, discusses it with the Supervisory Boards of Fresenius Management SE and Fresenius SE & Co. KGaA, and oversees its implementation. Its actions and decisions are aligned with the best interests of Fresenius SE & Co. KGaA. The Management Board is committed to increasing the value of the Company on a sustainable basis. The rules of procedure for the Management Board were established by the Supervisory Board of Fresenius Management SE. They define the activities within the board more specifically, especially with regard to the individual duties and responsibilities of the members, matters reserved for the full Management Board, and resolutions to be passed by the full Management Board.

The Management Board, in principle, consists of seven members: the Chairman, the Chief Financial Officer, the Management Board Member responsible for Legal, Compliance, Insurance and Human Resources and Labor Relations Director, and the chief executive officers of the four business segments. This ensures that the full Management Board is kept constantly informed about important events, plans, developments, and measures within the business segments. According to the rules of procedure, the CEO is responsible for coordinating the business segments, the general corporate policy, and the investment policy. The subject of Group sustainability is also directly reported to the CEO. Further information on sustainability matters can be found in the Group Non-financial Report on pages 109 ff.

The Group departments Finance, Group Controlling, Internal Audit, and Tax report to the Chief Financial Officer directly. Further, the Chief Financial Officer coordinates cybersecurity activities at Fresenius.

Members of the Management Board also lead internal working groups or committees, for example the Compliance Steering Committee or the Group Sustainability Board. Further information is included on pages 109 ff. of the Group Non-financial Report.

There are no Management Board committees owing to Fresenius SE & Co. KGaA's role as an operating holding company. The Management Board is listed on page 329 of the Annual Report.

Members of the Management Board are appointed for a maximum period of five years. Following the recommendation of the Code, first-time appointments are for a three-year period.

As of December 1, 2020, Dr. Sebastian Biedenkopf was appointed as Management Board Member responsible for Legal, Compliance, Insurance and Human Resources, and Labor Relations Director of Fresenius Management SE. He succeeds Dr. Jürgen Götz, who left the Company as of June 30, 2020. From July 1, 2020 to November 30, 2020, Mr. Stephan Sturm held the positions of Chairman of the Management Board and Management Board member responsible for Legal, Compliance, Insurance and Human Resources and Labor Relations Director on a combined basis.

The **meetings of the Management Board** are convened as required, but at least once a month, and are chaired by the Chairman of the Management Board or, if he is incapacitated, by the Chief Financial Officer or, if she is also incapacitated, by the Management Board member present who is most senior in age. However, Management Board meetings are usually held twice a month. The person chairing the meeting decides the order in which the items on the agenda are dealt with and the form in which the voting is conducted. The Management Board passes its resolutions by a simple majority of the votes cast or, outside its meetings, by a simple majority of its members, except in cases where mandatory provisions of law impose stricter requirements. The Chairman of the Management Board has the casting vote if a vote is tied. If the Chairman is incapacitated or absent, the motion is deemed rejected if a vote is tied. The rules of procedure for the Management Board also govern the relations between the Management Board and the Supervisory Board of the general partner, as well as between the general partner and the Supervisory Board of Fresenius SE & Co. KGaA, and also matters that require approval of the general partner's Supervisory Board.

As a European company (SE – Societas Europaea), Fresenius Management SE has its own **Supervisory Board**. It consists of six members, and its Chairman is Dr. Gerd Krick. The Supervisory Board appoints the members of the Management Board of Fresenius Management SE and supervises and advises the Management Board in conducting business. If necessary, e.g., in order to discuss or decide on matters concerning the Management Board, the Supervisory Board meets without the Management Board. It has established its own rules of procedure.

The Supervisory Board members of Fresenius Management SE can be found on page 330 of the Annual Report. Dr. Heinrich Hiesinger has been a member of the Supervisory Board of Fresenius Management SE since July 1, 2020. He succeeds Dr. Kurt Bock, who resigned from the Supervisory Board of Fresenius Management SE as of June 30, 2020.

The Supervisory Board of Fresenius Management SE appoints the members of the Management Board of the general partner and also ensures long-term succession planning. This is based on discussions with members of the Management Board and impressions of other managers gained at the meetings of the Supervisory Boards of Fresenius Management SE and Fresenius SE & Co. KGaA. In this way, the Supervisory Board can form an opinion on potential successors from within the Company.

The Supervisory Board of Fresenius SE & Co. KGaA

The Supervisory Board of Fresenius SE & Co. KGaA supervises the management of the Company's business by the general partner Fresenius Management SE. It supervises business operations to ensure that the Management Board's corporate decisions are compliant, suitable, and financially sound. In addition, the Supervisory Board reviews the Group's annual financial statements, taking into account the auditor's reports. Another important part of the Supervisory Board's activities is the work conducted within the committees formed in accordance with the requirements of the German Stock Corporation Act and the recommendations of the Code. The Management Board of the general partner – Fresenius Management SE – continuously informs the Supervisory Board of the corporate development, planning, and strategy.

The Supervisory Board of Fresenius SE & Co. KGaA consists of 12 members. The Supervisory Board members can be found on page 327 f. of the Annual Report. Half of its members are elected by the AGM. The proposals for the members of the Supervisory Board primarily take account of the knowledge, ability, and expert experience required to perform the tasks. The election proposals provided by the Supervisory Board will reflect its designated **objectives** as well as its **profile of expertise and skills**. A Nomination Committee has been instituted for election proposals for the **shareholder representatives**. Its activities are aligned with the provisions of law and the Code. The European Works Council elects the **employee representatives** to the Supervisory Board of Fresenius SE & Co. KGaA. If an employee representative retires within their term of office, the substitute member will become a member of the Supervisory Board. Mr. Niko Stumpfögger has left the Supervisory Board of Fresenius SE & Co. KGaA as of April 30, 2020. Ms. Grit Genster was appointed as a substitute member as of May 1, 2020, and subsequently elected Deputy Chairwoman of the Supervisory Board.

For the Supervisory Board of Fresenius SE & Co. KGaA, the law requires a quota of at least 30% women and 30% men. These mandatory quotas were met by the Supervisory Board in fiscal year 2020 and are still met. The average age within the Supervisory Board was around 61 at the end of 2020. All members have served an average of more than five years on the board. As it is in the Company's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board has not yet defined an age limit. The statutorily required declaration of conformity concerning the Code accordingly includes a justified limitation. Nevertheless, the Supervisory Board intends to examine in detail the introduction of an age limit in the coming year.

The competencies and the expert knowledge of all members support the discussion and the information exchange within the board. In 2020, the objectives for the composition and profile of skills and expertise of the Board were met. Further information can be found on pages 191 ff. of the Annual Report.

The Supervisory Board of Fresenius SE & Co. KGaA fulfills its tasks in accordance with the provisions of law, the articles of association of Fresenius SE & Co. KGaA, and its rules of procedure. The Chairman is responsible for coordinating the activities of the Supervisory Board, chairing the **meetings**, and representing its interests externally. The Supervisory Board should convene once each calendar quarter, and must convene twice each calendar half-year. The meetings are convened and chaired by the Chairman or, if he is incapacitated, by a chairperson named by the Chairman. The person chairing the meeting decides the order in which the items on the agenda are dealt with and the form in which the voting is conducted. Unless other majorities are mandatory by law, the Supervisory Board passes its resolutions by a simple majority of the votes submitted in the voting. If a vote is tied, the Chairman has the casting vote or, if he does not take part in the voting, the matter is decided by the vote of the Deputy Chairman, who is a shareholder representative. The shareholder representatives and the employee representatives within the Supervisory Board conduct separate meetings on a regular basis.

The **articles of association** of Fresenius SE & Co. KGaA and the rules of procedure of the Supervisory Board of Fresenius SE & Co. KGaA regulate the details with regard to the Supervisory Board's election, constitution, term of office, meetings and resolutions, and rights and duties. They are published on our website, see www.fresenius.com/corporate-governance.

Independence and conflicts of interest

The Supervisory Board of Fresenius SE & Co. KGaA is of the opinion that all its members are independent. The Supervisory Board shall include what it deems to be an appropriate number of **independent members** who do not have any business or personal relationship with the Company, its corporate bodies, a controlling shareholder, or a party related to the latter that may give grounds for a material and not merely temporary conflict of interest. This also applies to Dr. Gerd Krick and Klaus-Peter Müller, who have been members of the Supervisory Board for more than 12 years. Their respective performance in office demonstrate the necessary critical distance to properly advise and monitor the business conduct of the general partner in every respect.

The general partner, acting through the Management Board, and the Supervisory Board of Fresenius SE & Co. KGaA are committed to the interests of the Company. The members of these bodies neither pursue personal interests in the performance of their duties nor grant unjustified advantages to other persons. Any sideline activities or transactions of the members of the executive bodies with the Company must be disclosed to the Supervisory Board without delay and approved by the Supervisory Board. The Supervisory Board of Fresenius SE & Co. KGaA reports to the AGM on any **conflicts of interest** and their treatment. There were no conflicts of interest of Supervisory Board members in the past fiscal year.

Fresenius publishes information on related parties on page 316 of the Annual Report.

Supervisory Board training and further education measures

The members of the Supervisory Board independently take on 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 continuously 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.

The members of the Supervisory Board of Fresenius SE & Co. KGaA can be found on page 327 f. of the Annual Report. On page 29 f. of the Annual Report, the Supervisory Board reports on the main focuses of its activities and those of its committees in 2020.

Supervisory Board efficiency evaluation/self-assessment

The Supervisory Board of Fresenius SE & Co. KGaA carries out an efficiency evaluation, or an assessment of how effectively it as a whole and its committees perform their duties, at least once a year, most recently in March 2020.

The review is carried out through an open discussion within the full Supervisory Board. A **company-specific questionnaire** covering the salient points for a self-evaluation serves as the basis for the discussion. Among other things, this includes the organization and structuring of the meetings, the amount of information, and how this information was provided. The most recent review showed that the Supervisory Board, including its committees, assesses its organization as well as its work as efficient and that it fulfills its tasks effectively.

Cooperation between the general partner and Supervisory Board of Fresenius SE & Co. KGaA

Good corporate governance requires **trusting and efficient cooperation** between the Management and the Supervisory Board. The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA closely cooperate for the benefit of the Company. Open communication is essential. The common goal is to sustainably increase the company value in line with the corporate governance and compliance principles. The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA coordinate with each other, especially with regard to the Company's strategic focus. As the monitoring body, the Supervisory Board of Fresenius SE & Co. KGaA also needs to be fully informed about operating performance and corporate planning, as well as the risk situation, risk management, and compliance. The Management Board of the general partner provided this information in full and in compliance with its duties in the reporting period.

The representatives of the shareholders and of the employees may prepare the Supervisory Board meetings separately, and, if applicable, with members of the Management Board. Pre-meetings of the employee representatives as well as consultations of the shareholder representatives take place on a regular basis. The Supervisory Board meets without the Management Board on a regular basis.

COMPOSITION AND PROCEDURES OF THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Fresenius SE & Co. KGaA forms two **permanent committees** from among its members: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The committee members were elected for the duration of their term as a member of the Supervisory Board of Fresenius SE & Co. KGaA. In accordance with the articles of association of Fresenius SE & Co. KGaA, only members of the Audit Committee receive additional compensation (Section 13 (5)). There is no Personnel Committee in the KGaA because the Supervisory Board of Fresenius SE & Co. KGaA is not responsible for appointing members of the Management Board of the general partner or for their service contracts. Responsibility for these personnel matters lies with the Supervisory Board of the general partner.

The provisions for the Supervisory Board of Fresenius SE & Co. KGaA apply analogously to the committees. The committees hold meetings as required. The meetings are convened by the committee chairmen. They report during the following Supervisory Board meeting about the work of the respective committee. The rules of procedure for the committees are regulated in the rules of procedure of the Supervisory Board of Fresenius SE & Co. KGaA. Accordingly, the committees do not have their own rules of procedure.

The members of the Supervisory Board's committees are listed on page 328 of the Annual Report.

Audit Committee

The Audit Committee's function is, among other things, to prepare the Supervisory Board's approval of the financial statements – and the consolidated financial statements – and the Supervisory Board's proposal to the AGM on the appointment of the auditor for the financial statements, and to make a preliminary review of the proposal on the allocation of distributable profits. It also reviews the quarterly reports before they are published and – following discussions with the Management Board – engages the auditor for the financial statements (and concludes the agreement on the auditor's fees), determines the main focuses of the audit, and defines the auditor's reporting duties in relation to the Supervisory Board of Fresenius SE & Co. KGaA. Other matters within its remit are to review the effectiveness of the internal controls system, of the risk management system, of the internal audit system, and of the compliance.

The Audit Committee consists of Klaus-Peter Müller (Chairman), Grit Genster (as of May 1, 2020), Konrad Kölbl, Dr. Gerd Krick, Hauke Stars, and Niko Stumpfögger (until April 30, 2020). Klaus-Peter Müller is independent and has the required expertise in the fields stated in Section 100 (5) of the German Stock Corporation Act (AktG), as well as specialist knowledge and experience in the application of accounting principles and internal control processes.

The Audit Committee also examined in detail the non-audit services rendered additionally by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as well as PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main.

Nomination Committee

The Nomination Committee proposes suitable candidates to the Supervisory Board for the nominations it makes to the AGM for the election of Supervisory Board members on the shareholders' side. It consists solely of shareholder representatives. In making its proposals, the Nomination Committee is guided by the requirements of the Code.

The Nomination Committee consists of Dr. Gerd Krick (Chairman), Michael Diekmann, and Klaus-Peter Müller.

Mediation Committee

Fresenius SE & Co. KGaA does not have a Mediation Committee because the provisions of the German Co-Determination Act that require such a committee do not apply to a partnership limited by shares and because the Code does not require such a committee either.

Joint Committee

Pursuant to Sections 13a et seq. of the Articles of Association of Fresenius SE & Co. KGaA, the Supervisory Board of Fresenius SE & Co. KGaA has formed a Joint Committee together with the Supervisory Board of Fresenius Management SE. For some matters, which are defined in further detail in Section 13c (1) of the articles of association of Fresenius SE & Co. KGaA, the general partner requires the approval of the Joint Committee if 40% of the consolidated sales, the consolidated balance sheet total, and the consolidated profit are affected by the matter. These include, for example, the divestiture and acquisition of large investments and business units or the divestiture of large business units from the assets of Fresenius SE & Co. KGaA or a wholly owned company. The approval of the Joint Committee is also required for certain legal transactions between Fresenius SE & Co. KGaA or its affiliates and the Else Kröner-Fresenius-Stiftung.

Dr. Gerd Krick and Michael Diekmann are members of the Joint Committee. The other members are Dr. Dieter Schenk (Chairman) and Mr. Klaus-Peter Müller, who were appointed by the general partner. The Joint Committee did not meet in 2020.

OBJECTIVES FOR THE COMPOSITION, PROFILE OF SKILLS AND EXPERTISE, AND DIVERSITY CONCEPT

The Supervisory Board of Fresenius SE & Co. KGaA has determined concrete objectives for its composition and prepared a profile of skills and expertise for the entire board. Furthermore, it resolved on a diversity concept for itself and the Management Board of Fresenius Management SE.

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD AND PROFILE OF SKILLS AND EXPERTISE FOR THE ENTIRE BOARD

The Supervisory Board of Fresenius SE & Co. KGaA is to be composed in such a way that its members in entirety have the required knowledge, skills, and professional experiences for duly observing the tasks. Thereby, it is necessary to differentiate between the requirements for the individual Supervisory Board members and the requirements for the composition of the entire Board.

Requirements for the individual Supervisory Board members

The Supervisory Board members have to be professionally as well as personally qualified to advise and supervise the Management Board of a globally active health care Group.

Good corporate governance

Each Supervisory Board member is to have the knowledge of good corporate governance of a capital-market-oriented company required for duly observing its tasks. This includes knowledge of the main features of accounting, risk management, internal control mechanisms, and of compliance matters.

Sector experience and internationality

Each Supervisory Board member is to have general knowledge of the health care sector, as well as a basic understanding of the global activities of Fresenius.

Independence

A minimum of half of the Supervisory Board members and a minimum of the half of the shareholder representatives in the Supervisory Board are to be independent within the meaning of the German Corporate Governance Code. Independent in this meaning is someone who does not have a personal or business relationship with the Company, its governing bodies, a controlling shareholder, or a company affiliated with such that may cause a substantial and not merely temporary conflict of interest. The shareholder structure may be appropriately taken into account.

When assessing independence, in the view of the Supervisory Board, neither an appointment to the Management Board lapsed for more than two years nor the duration of the membership to the Supervisory Board exclude the classification as independent per se.

With regard to the employee representatives, the independence is not contested by the fact of representing employees nor by the employment relationship.

Individuals exercising an office in a body of a significant competitor of Fresenius or who hold, directly or indirectly, more than 3% of the voting capital in such are not to be a member of the Supervisory Board.

In cases where a Supervisory Board member is active for another company having business relationships with Fresenius, this activity is described in the section “Legal relationships with members of the corporate bodies” of the Annual Report.

Time availability and limit to the numbers of offices held

Each Supervisory Board member is to have sufficient time available for duly observing the office as Supervisory Board member and to comply with the limit to the offices held as recommended by the German Corporate Governance Code. Under the assumption of four meetings annually, the expected time expenditure of new members generally amounts to approximately 12 to 24 days a year. This includes the preparation and follow-up of the Supervisory Board’s meetings, the review of reports to the Supervisory Board, the participation in the Annual General Meeting, and regular training. Thereby, it is to be considered that the time expenditure also depends on the membership of one or several Supervisory Board committees.

Age limit and duration limit on the term of membership

In order to not unduly limit the selection of qualified candidates, the Supervisory Board has refrained from setting an age limit and a duration limit on the term of membership.

The statutorily required declaration on the German Corporate Governance Code therefore includes a reasoned exception. The Supervisory Board is rather to include members with long-term experience and therefore generally older members. A balanced ratio of Supervisory Board members of various ages and various durations of term of membership is essential. Nevertheless, the Supervisory Board intends to examine in detail the introduction of an age limit in the coming year.

Requirements for the entire Board

Sector experience
The Supervisory Board in its entirety needs to be familiar with the health care sector. An appropriate number of Supervisory Board members are to have in-depth knowledge and/or experience in the important sectors of the Company's operations:

- dialysis products, dialysis services, and Care Coordination
- essential medicines, medical products, and services for the critically and chronically ill
- operation of hospitals
- planning, construction, and management of health care institutions

The Supervisory Board is to include an appropriate number of members with management experience in the health care sector.

Financial knowledge
The Supervisory Board in its entirety needs to have financial knowledge, in particular in the fields of accounting, reporting, and auditing. At least one member needs to have expert knowledge in the fields of accounting or annual auditing.

Knowledge of relevant legal issues as well as relevant regulatory and compliance matters
The Supervisory Board in its entirety is to be familiar with the relevant legal issues, as well as relevant regulatory and compliance matters.

Experience in the field of digitalization
The Supervisory Board in its entirety is to have the required understanding of the requirements of digitalization.

Internationality
Fresenius is present in more than 100 countries. Therefore, the Supervisory Board in its entirety is to have knowledge and experience in the regions important for Fresenius. The Supervisory Board is to include an appropriate number of members with, due to their origin or business experience, a particular relation to the international markets relevant for Fresenius.

Management experience
The Supervisory Board is to include an appropriate number of members with experience in managing or supervising a medium-sized or large company.

Diversity and appropriate representation of women
The Supervisory Board is to rely on as different as possible expert knowledge, skills, and experiences. Therefore, diversity is to be appropriately considered for its composition, and when making election proposals, in the Company's interest, attention should be paid to ensuring that the candidates' profiles reasonably complement each other.

At least 30% of the Supervisory Board are women and at least 30% are men. In general, the participation of women is a joint responsibility of the shareholder and employee sides. For nominations, both the shareholder and employee sides will consider, to the extent possible, whether the proportion of women can be increased with qualified female candidates. Please note that the responsibility for electing employee representatives is with the European Works Council. Therefore, the Supervisory Board cannot provide a recommendation.

In fiscal year 2020, there were no changes with regard to the objectives for the composition and profile of skills and expertise of the Board. The current composition of the Supervisory Board of Fresenius SE & Co. KGaA still fulfills the designated objectives. Furthermore, the current composition complies with the profile of competence. The Supervisory Board is of the opinion that all of its members are currently independent.

DIVERSITY CONCEPT

A diversity concept applies for the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA. The concept is outlined below.

The objectives of the diversity concept, the way in which they are implemented, and the results achieved in the fiscal year are also explained. Diversity enables us to look at matters from different perspectives and against the background of different experiences. Fresenius seeks diversity in the Management Board of Fresenius Management SE as well as in the Supervisory Board of Fresenius SE & Co. KGaA in terms of age, gender, education, professional background, and international experience.

Age

Finding a balance between expertise and novel approaches is important for the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA. Therefore, both the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA should have a balanced mix of experienced and new members, ensuring that different perspectives are taken into consideration in the decision-making processes and a continuous transfer of knowledge is fostered. Therefore, there is no age limit for members of the Management Board and Supervisory Board and also no duration limit for the term of membership of those serving on the Supervisory Board.

Gender

Fresenius believes that a mix of women and men on both the Management Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA is desirable. At least 30% of the Supervisory Board are women and at least 30% are men. In general, the participation of women is a joint responsibility of the shareholder and employee sides. For nominations, both the shareholder and employee sides will consider, to the extent possible, whether the proportion of women can be increased with qualified female candidates. Please note that the responsibility for electing employee representatives is with the European Works Council. Therefore, the Supervisory Board cannot provide a recommendation. Besides, qualification is the decisive criterion for filling board positions.

Professional background

For each one of the Company's key business areas, one member of the Management Board of Fresenius Management SE shall have longstanding experience:

- dialysis products, dialysis services, and Care Coordination
- essential medicines, medical devices, and services for the critically and chronically ill
- operation of hospitals
- planning, construction, and management of health care institutions

In addition, one of the members shall have long-standing experience and expertise in finance and one in corporate governance, law, and compliance. This takes into account the special requirements of a capital-market-oriented company.

The Supervisory Board of Fresenius SE & Co. KGaA shall have a reasonable number of members experienced in the management or supervision of a medium-sized or large company. A reasonable number of Supervisory Board members should have leadership experience in the health care industry. At least one member of the Supervisory Board shall have expertise in accounting or auditing.

International experience

Fresenius is present in more than 100 countries. Against this background, the majority of the members of the Management Board of Fresenius Management SE are expected to have international experience in at least one of the markets relevant to Fresenius, based on their background, professional training, or career.

An appropriate number of members of the Supervisory Board of Fresenius SE & Co. KGaA should also have a special connection to international markets relevant to Fresenius as a result of their origin or business experience.

Implementation of objectives

The implementation of the objectives of the Diversity Concept with regard to the composition of the Management Board of Fresenius Management SE will be reflected by future personnel decisions of the Supervisory Board of Fresenius Management SE. The Diversity Concept will be reflected in the proposals of candidates by the Supervisory Board of Fresenius SE & Co. KGaA to the AGM of the Company. As far as possible, this should be taken into account by the European Works Council in the election of employee representatives to the Supervisory Board of Fresenius SE & Co. KGaA.

In the past fiscal year, Ms. Grit Genster was appointed as a substitute member for Mr. Niko Stumpfögger on the Supervisory Board of Fresenius SE & Co. KGaA and elected as Deputy Chair of the Supervisory Board. Dr. Sebastian Biedenkopf was appointed to the Management Board of Fresenius Management SE. There were no further changes on the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of Fresenius Management SE. Overall, the objectives of the diversity concept continue to be fulfilled.

RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The general partner, represented by its Management Board, manages the Company's business with the due care and diligence of a prudent and conscientious company director in compliance with the provisions of the law, the articles of association, the rules of procedure for the Management Board, the resolutions passed by the full Management Board, and the Supervisory Board of the general partner. The basic rules of corporate conduct, partly extending beyond the requirements of law, are defined in the **Fresenius Code of Conduct**. It defines the framework of our rules and specifies the key principles for our conduct within the Company and in our relations with external partners and the public. We have published the Fresenius Code of Conduct on our website at www.fresenius.com/compliance. In addition, all Fresenius business segments have implemented their own Codes of Conduct. They cover the specifics of their businesses and reflect the values of the Fresenius Code of Conduct.

COMPLIANCE MANAGEMENT SYSTEMS

For us, compliance means more than acting in accordance with laws and regulations. Compliance means doing the right thing. This means: we adhere to all rules, including legal requirements, internal guidelines, as well as our commitments, and we act according to ethical principles. Compliance is part of our corporate culture and, consequently, our daily work.

Each of our business segments has appointed a **Chief Compliance Officer,** or a dedicated Compliance Committee, responsible for overseeing the development, implementation, and monitoring of the Compliance Management System (CMS) of the business segment. Furthermore, in line with the business structure and organization, the business segments have established compliance responsibilities at the respective organizational levels. The respective compliance organization supports management and employees in all compliance-related principles.

Our **Compliance Management Systems** are designed to achieve the implementation of and adherence to our rules within the Company. We have implemented risk-based Compliance Management Systems in all our business segments and at Fresenius SE & Co. KGaA's corporate level. They comprise three pillars: Prevent, Detect, and Respond. Emphasis is placed on actively preventing any acts of non-compliance before they occur. Such systems consider the markets Fresenius is operating in. They are tailored to the specific requirements of each business segment.

Essential **measures for prevention** include comprehensive risk recording and risk assessment, effective policies as well as adequate and effective procedures, regular training, and continuous advice. Through objective indicators, we try to detect potential compliance risks early on. To this end, we have implemented tools for early risk detection and internal control structures, e.g., for cash and bank transactions, and monitor these measures regularly in workshops and internal audits.

We take even potential misconduct seriously. This is why Fresenius employees who are aware of potential misconduct, can contact their superior or the responsible compliance function or report a potential compliance case anonymously through whistleblowing systems or dedicated e-mail addresses. Most whistleblowing systems are open not only to employees, but also to third parties, such as customers, suppliers, and other partners, via the corporate website in local languages.

Any illegal actions or violations of the rules may harm the individual and Fresenius. We do not tolerate non-compliance. If a violation of applicable regulations is detected, we will take the necessary actions to remediate the violation and prevent any recurrence. We also take all reports as an opportunity to review our company processes for possible improvements.

Further information on compliance and the Compliance Management Systems can be found on pages 154 ff. of our Group Non-financial Report.

RISK MANAGEMENT AND CONTROL SYSTEM

In our view, responsible risk management is a crucial element of good corporate governance. Fresenius has a systematic risk management and control system that allows the Management Board to identify risks and market trends at an early stage and to react promptly to relevant changes in our risk profile. It consists of the following elements:

- internal control system,
- early warning system for risks,
- steering of financial, operational, and strategic risks,
- quality management systems,
- Compliance Management Systems,

- reporting on legal risks, and
- risk assessment in investment and acquisition processes.

The well-being of our patients is important to us. Our risk management and control system, as well as efficiently designed processes, help to enhance the Company's performance. Our early risk detection system is reviewed as part of the annual audit of the financial statements. The auditor assesses whether the monitoring system set up by the Management Board is suitable for the early identification of risks that could jeopardize the Company's existence. The risk management and control systems is regularly reviewed by the Management Board and the Internal Audit department. The Audit Committee of the Supervisory Board supervises the effectiveness of the risk management system. Further information can be found in the Report of the Supervisory Board on page 32 in the Annual Report 2019 and on pages 88 ff. of the Management Report.

The Internal Audit department supports the Management Board as an independent function outside the Company's day-to-day operations. The department assesses internal processes from an objective viewpoint and with the necessary distance. Our goal is to create added value for Fresenius, and thus to help achieve organizational goals through improved internal controls, optimized business processes, cost reduction, and efficiency increases. Results from internal audits are evaluated both by the business segments and by the compliance organization to continuously improve preventive measures, for example to prevent corruption.

Fresenius Medical Care AG & Co. KGaA has its own internal risk management and control system.

GERMAN CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The German Corporate Governance Code aims to provide more transparency for investors with regard to existing regulations covering the management and monitoring of companies. Our value-enhancing strategies, as well as the majority of the guidelines, recommendations, and suggestions for **responsible management** contained in the Code, have been basic components of our activities for many years. Extensive information on Corporate Governance can be found on our website at www.fresenius.com/corporate-governance.

The Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE, and the Supervisory Board of Fresenius SE & Co. KGaA have issued the required **Declaration of Conformity** pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it available to shareholders on the website of the Company:

"Declaration by the Management Board of the General Partner of Fresenius SE & Co. KGaA, Fresenius Management SE, and the Supervisory Board of Fresenius SE & Co. KGaA on the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (Aktiengesetz)

The Management Board of the General Partner of Fresenius SE & Co. KGaA, Fresenius Management SE (hereafter the Management Board) and the Supervisory Board of Fresenius SE & Co. KGaA declare that since the issuance of the previous Declaration of Conformity in December 2019, the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice and Consumer Protection (Bundesministerium der Justiz und für Verbraucherschutz) in the official section of the Federal Gazette (Bundesanzeiger) (hereafter the Code) in the version of February 7, 2017, and in the version of December 16, 2019 since its publication in the Federal Gazette on March 20, 2020, have been met and that the Code in its version of December 16, 2019 will also be met in the future. Only the following recommendations of the Code in the version of February 7, 2017 and of December 16, 2019, have not and will not be met as explained in the following:

- **Code recommendation B. 5 (formerly Code number 5.1.2 paragraph 2 sentence 3): age limits of the Management Board members**
  Pursuant to the Code recommendation B.5 (formerly Code number 5.1.2 paragraph 2 sentence 3) an age limit is to be specified for members of the Management Board and disclosed in the Corporate Governance Statement.

  Fresenius has not yet specified an age limit for members of the Management Board, as this might unduly limit the selection of qualified candidates. Nevertheless, Fresenius intends to examine in detail the introduction of an age limit next year.

- **Code recommendation C. 2 (formerly Code number 5.4.1 paragraph 2 and paragraph 4): age limit for members of the Supervisory Board**
  Pursuant to the Code recommendation C.2 (formerly Code number 5.4.1 paragraph 2 and paragraph 4), an age limit is to be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement.

  Fresenius has not yet specified an age limit and a regular limit for the tenure of a member of the Supervisory Board, as this might unduly limit the selection of qualified candidates. Nevertheless, Fresenius intends to examine in detail the introduction of an age limit next year.

- **Code recommendations G.1 – G.3 and G.6: compensation of the members of the Management Board**
  The principles, recommendations and suggestions relating to Management Board compensation have been extensively revised. In contrast to the Code, the Act Implementing the Second EU Shareholder Rights Directive (ARUG II) envisages transitional provisions for the implementation of a new compensation system for the Management Board. In order to establish a compensation system for the Management Board that gives balanced consideration to the interests of all parties involved, in line with the statutory transitional provisions, Fresenius has decided to submit a revised compensation system to the Annual General Meeting for approval in 2021. Until such point in time, the existing compensation system will remain in place. In this respect, Fresenius declares (prospectively merely temporary) non-compliance with the Code recommendations G.1 to G.3 and G.6.

- **Precautionary statement of non-compliance with regards to the Management Board compensation of Mr. Rice Powell**
  Management Board member Rice Powell receives his compensation exclusively from Fresenius Medical Care Management AG. Up until the introduction of the new compensation system that took effect on January 1, 2020, there were no caps in place on the compensation at Fresenius Medical Care Management AG for all compensation components and thus for overall compensation. A compensation cap by specific amount is therefore also not included in the corresponding model table of the compensation report. In addition, there was until then no Code-complying severance payment cap in place. For this reason, with regards to Mr. Rice Powell, a precautionary statement of non-compliance with Code numbers 4.2.3 paragraph 2 sentence 6, 4.2.3 paragraph 4 and 4.2.5 paragraph 3 is made with reference to the compensation system of Fresenius Medical Care effective until December 31, 2019.

Bad Homburg v. d. H., December 2020
Management Board of the General Partner of Fresenius SE & Co. KGaA, of Fresenius Management SE, and Supervisory Board of Fresenius SE & Co. KGaA”

This declaration and all past declarations are published on our website, see www.fresenius.com/corporate-governance.

FURTHER INFORMATION ON CORPORATE GOVERNANCE

DIVERSITY

The Management Board takes diversity into account when filling executive positions. At Fresenius, the individual's qualifications are the paramount consideration in all hiring and promotion decisions. This means that women and men with comparable qualifications and suitability have the same career opportunities. Fresenius will continue to consistently act upon this principle, and will of course comply with the law on the equal participation of women and men in executive positions in private companies and the public service:

For the Supervisory Board of Fresenius SE & Co. KGaA, the law requires a quota of at least 30% women and 30% men. These mandatory quotas were met by the Supervisory Board elections in 2016.

The legally stipulated targets for the Management Board do not apply to Fresenius Management SE or to Fresenius SE & Co. KGaA. Due to its legal form, Fresenius SE & Co. KGaA does not have a Management Board. Fresenius Management SE is not listed on the stock exchange and is also not subject to codetermination.

In accordance with the legal requirements, the Management Board specifies composition of the two management levels directly below the Management Board as follows:

The first management level includes all Senior Vice Presidents and Vice Presidents who have an employment contract with Fresenius SE & Co. KGaA and who report directly to a Member of the Management Board. Through a decision effective January 1, 2016, the Management Board has set a target, which has to be met by December 31, 2020, and calls for a proportion of women of 33.3% at the first management level. This target corresponds with the proportion as of December 31, 2015.

The second management level includes all Vice Presidents who have an employment contract with Fresenius SE & Co. KGaA and who report directly to a member of the first management level. Through the decision effective January 1, 2016, the Management Board has set a target, which has to be met by December 31, 2020, and calls for a proportion of women of 37.5% at the second management level. This target corresponds with the proportion as of December 31, 2015.

The implementation period with regard to the target for the first and second management levels ended on December 31, 2020. At the first management level below the Executive Board, the proportion of women was around 23.1% as of the reporting date. At the second management level below the Executive Board, the proportion of women was 20.0% as of the reporting date. The set targets were therefore not achieved.

The development of the proportion of women at the first and second level below the Management Board is due in particular to internal changes within the Group and unplanned departures as well as the resulting organizational changes. For Fresenius SE & Co. KGaA, there is a small number of management positions to be considered, so that individual personnel changes have a significant impact on the percentage of women.

The percentage of women as at the reporting date of December 31, 2020 represents a snapshot: In fact, the values at both management levels fluctuate from year to year; among other things, this is evidence that promotions and appointments are based on the criterion of qualification and not on gender.

The Management Board believes that inclusion in the company-wide long-term incentive programs is a strong indicator that an individual holds a leading executive position. The proportion of women in this group of our top 1,700 executives was approximately 32% as of December 31, 2020.

In accordance with legal requirements, the Management Board has again set targets for the proportion of women on the first two management levels below the Executive Board as well as deadlines for achieving these targets. For the proportion of women on the first management level as well as the proportion of women on the second management level, the target figure of 30.0% was set by resolution of the Management Board with effect from 1 January 2021, with a deadline of 31 December 2025, while the definition of the management levels remained unchanged.

Further information on diversity, as well as personnel development and personnel management, is included in the Group Management Report on page 52 ff. and in the Group Non-financial Report on pages 133 ff.

DISCLOSURES ON DIRECTORS' DEALINGS/MANAGERS' TRANSACTIONS AND SHAREHOLDINGS IN 2020

According to the provisions of Art. 19 Market Abuse Regulation (MAR) regarding managers' transactions, persons discharging managerial responsibilities, as well as persons closely associated with them, shall notify the Company of transactions conducted on their own account relating to the shares or debt instruments of Fresenius SE & Co. KGaA or to derivatives or other financial instruments linked thereto. Managers' transactions in 2020 are disclosed on our website at www.fresenius.com/corporate-governance.

None of the Management or Supervisory Board members of the general partner or of the Supervisory Board of Fresenius SE & Co. KGaA directly or indirectly holds more than 1% of the shares issued by Fresenius or any related financial instruments.

The members of the Management and Supervisory Boards of Fresenius Management SE and the members of the Supervisory Board of Fresenius SE & Co. KGaA together hold 0.26% of the shares of Fresenius SE & Co. KGaA outstanding as of December 31, 2020, in the form of shares or related financial instruments and stock options under the Fresenius SE & Co. KGaA stock option plans. 0.24% are held by members of the Management Board of Fresenius Management SE, 0.02% by members of the Supervisory Board of Fresenius Management SE, and 0.01% by members of the Supervisory Board of Fresenius SE & Co. KGaA. Due to the fact that some persons are members of both Supervisory Boards, the amount of shares or related financial instruments and stock options held by the Boards of Fresenius SE & Co. KGaA and Fresenius Management SE in total can be smaller than the cumulative holdings of the three Boards as reported herein.

There were no notifications that the shareholdings of members of the Management and Supervisory Boards had reached, exceeded, or fallen below the reporting thresholds stipulated in the German Securities Trading Act.

TRANSPARENCY AND COMMUNICATION

Fresenius adheres to all recommendations of the Code. Transparency is guaranteed by continuous communication with the public. In that way, we are able to validate and deepen the trust given to us. Of particular importance to us is the **equal treatment** of all recipients. To ensure that all market participants receive the same information at the same time, we post all important publications on our website at www.fresenius.com. We report in detail on investor relations activities on page 34 of the Annual Report.

FINANCIAL ACCOUNTING AND REPORTING

Fresenius, as a publicly traded company based in a member country of the European Union, has to prepare and publish its consolidated financial statements, as required, in accordance with International Financial Reporting Standards (IFRS) pursuant to Section 315e of the German Commercial Code (HGB).

The leading auditor Dr. Bernd Roese, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main , has been responsible for the audit of the consolidated financial statements since 2020.

The Audit Regulation (EU) No. 537/2014 introduced the obligation for regular external rotation of the auditor and the Group auditor. For Fresenius SE & Co. KGaA, such external rotation took place for fiscal year 2020. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was elected as auditor for 2020 by the Annual General Meeting 2020.

COMPENSATION REPORT

The compensation report summarizes the main elements of the compensation system for the members of the Management Board of Fresenius Management SE as the general partner of Fresenius SE & Co. KGaA, and in this regard notably explains the amounts and structure of the compensation paid to the Management Board as well as the principles for determining the compensation of the Supervisory Board and the amounts of the compensation. The compensation report is part of the Management Report of the annual financial statements and the annual consolidated financial statements of Fresenius SE & Co. KGaA as of December 31, 2020 and was prepared in accordance with the regulations of the German Commercial Code.

COMPENSATION OF THE MANAGEMENT BOARD

The Supervisory Board of Fresenius Management SE is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee which is also responsible for the tasks of a compensation committee. The personnel committee of Fresenius Management SE was composed of Dr. Gerd Krick, Dr. Dieter Schenk, and Michael Diekmann.

The Annual General Meeting of Fresenius SE & Co. KGaA approved the compensation system for the members of the Management Board of the general partner on May 18, 2018, with an approval rate of approximately 63%.

At its meeting on December 3, 2020, the Supervisory Board of Fresenius Management SE resolved to further develop the existing system for the compensation of the members of the Management Board. The aim is, with effect from January 1, 2021, to ensure compliance with the provisions of the German Stock Corporation Act as amended by the German Act Implementing the Second Shareholder Rights Directive and the recommendations of the German Corporate Governance Code as amended on December 16, 2019. The revised system for the compensation of the members of the Management Board is to be submitted for approval to the Annual General Meeting in 2021 in accordance with the provisions of the Stock Corporation Act as amended by the German Act Implementing the Second Shareholders Rights Directive.

The objective of the current compensation system, applicable in 2020, is to enable the members of the Management Board to participate reasonably in the sustainable development of the company's business and to reward them based on their duties and performance as well as their successes in managing the company's economic and financial position, giving due regard to the peer environment.

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)

In addition, there are pension commitments for the members of the Management Board.

COMPENSATION ELEMENTS

Non-performance-based compensation	Fixed compensation	
	Fringe benefits	
Performance-based compensation	Short-term	Bonus
	Long-term	Postponed payment of the bonus
		Long Term Incentive Plan 2018

Dr. Jürgen Götz quit the Management Board of Fresenius Management SE with effect as of June 30, 2020, such date being the end of his term of office as a member of the Management Board. He received non-performance-based compensation and short-term performance-based compensation on a pro rata basis for the fiscal year. As a consequence of his departure, he was not granted any performance shares under the Long Term Incentive Plan 2018 for the 2020 fiscal year. The terms and conditions of the 2013 Stock Option Plan stipulate that, in the event of mutually agreed departure, participants may exercise stock options within 60 calendar days (plus any blackout periods) of their departure, provided that the waiting period has expired and the performance target has been met. Dr. Jürgen Götz made use of this option and exercised 45,000 stock options after leaving the company. Stock options, performance shares and phantom stocks not exercised forfeited without replacement following his departure, because their scheduled waiting period had not yet expired or the exercise price had not been reached. Dr. Jürgen Götz's contractual pension commitment remains unaffected by his departure.

The design of the individual elements of the Management Board compensation is based on the following criteria:

PERFORMANCE-BASED COMPENSATION

Short-term	**Bonus**	▶ Annual cash payment after the end of the fiscal year ▶ Depending on the achievement of certain target parameters based on the net income attributable to Fresenius SE & Co. KGaA or the relevant business segments
Long-term	**Postponed payments of the bonus**	▶ The maturity of the one-year variable compensation can be postponed by two years. ▶ Payment only if (i) no subsequent adjustment is made to the relevant consolidated net income attributable to Fresenius SE & Co. KGaA or the relevant business segment outside a tolerance range and (ii) the consolidated net income attributable to Fresenius SE & Co. KGaA or the relevant business segment in the two relevant years is not significantly lower than the consolidated net income attributable to Fresenius SE & Co. KGaA or the relevant business segment in the respective preceding years.
	LTIP 2018	▶ Performance Share Plan with a vesting period of four years and cash payment ▶ Two performance targets: growth rate of adjusted net income and relative total shareholder return based on the STOXX Europe 600 Health Care Index ▶ Overall target achievement: 0 – 200%

The fixed compensation was generally paid in monthly installments in the fiscal year 2020. Where Mr. Rice Powell received his base salary as part of his fixed compensation components from Fresenius Medical Care North America, such compensation was paid in 26 installments. Moreover, the members of the Management Board received fringe benefits. These consisted mainly of insurance premiums, the private use of a company car, special payments such as rent supplements and reimbursement of certain other charges, tuition fees, and costs for the operation of intrusion detection systems, as well as contributions to pension and health insurance.

The performance-based compensation will be granted for the fiscal year 2020 as a short-term cash component (one-year variable compensation) and as compensation components with long-term incentive effects (performance shares and postponed payments of the one-year variable compensation).

The amount of the one-year variable compensation in each case is dependent on certain target parameters oriented on the net income attributable to Fresenius SE & Co. KGaA and / or to the relevant business segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Mr. Stephan Sturm, Ms. Rachel Empey, Dr. Jürgen Götz[1] and Dr. Sebastian Biedenkopf[2] – the amount of the one-year variable compensation is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interests). For Mr. Mats Henriksson and Dr. Francesco De Meo, approximately half of the amount of the one-year variable compensation depends on the development of the net income attributable to Fresenius SE & Co. KGaA and for the remainder on the development of the net income of the business segment (in each case after deduction of

[1] Dr. Jürgen Götz quit the Management Board of Fresenius Management SE with effect as of June 30, 2020. He will receive pro rata short-term performance-based compensation for 2020 contractually accruing to his term of office until June 30, 2020.

[2] Dr. Sebastian Biedenkopf was appointed to the Management Board of Fresenius Management SE with effect as of December 1, 2020. The payment of his pro rata variable compensation for the period from December 1, 2020 to December 31, 2020 was postponed in full by two years.

noncontrolling interests) for which the respective member of the Management Board is responsible. Approximately half of the amount of the one-year variable compensation of Dr. Ernst Wastler is oriented on the net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interests), as well as on the net income before tax and extraordinary income/expenditures of the VAMED Group.

For the one-year variable compensation, there are no target values or comparable values for Board members who receive their compensation from Fresenius Management SE. The one-year variable compensation is calculated on the basis of bonus curves that are valid for several years.

Mr. Rice Powell receives his compensation exclusively from Fresenius Medical Care in accordance with the revised remuneration system of Fresenius Medical Care entering into effect as of January 1, 2020, in accordance with the provisions of the German Stock Corporation Act as amended by the Act Implementing the Second Shareholder Rights Directive.

The service agreements do not provide for a discretionary bonus.

For the fiscal years 2020 and 2019, the amount of cash payment to the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

	Non-performance-based compensation				Short-term performance-based compensation		Cash compensation (without long-term incentive components)	
	Fixed compensation		Fringe benefits[3]		Bonus			
€ in thousands	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Stephan Sturm	**1,100**	1,100	**82**	55	**1,838**	1,866	**3,020**	3,021
Dr. Sebastian Biedenkopf (since December 1, 2020)	**50**	n.a.	**4**	n.a.	**0**	n.a.	**54**	n.a.
Dr. Francesco De Meo	**630**	630	**41**	32	**1,388**	1,403	**2,059**	2,065
Rachel Empey	**704**	600	**196**	198	**799**	812	**1,699**	1,610
Dr. Jürgen Götz (up to June 30, 2020)	**255**	510	**36**	45	**475**	950	**766**	1,505
Mats Henriksson	**660**	660	**88**	114	**1,345**	1,369	**2,093**	2,143
Rice Powell[1]	**1,769**	1,340[2]	**429**	256[2]	**1,734**	1,970[2]	**3,932**	3,566[2]
Dr. Ernst Wastler	**550**	550	**75**	76	**769**	932	**1,394**	1,558
Total	**5,718**	5,390	**951**	776	**8,348**	9,302	**15,017**	15,468

[1] Mr. Rice Powell's compensation is exclusively paid by Fresenius Medical Care, of which Fresenius SE & Co. KGaA held around 32.23% of the total subscribed capital. As a member of the Management Board of Fresenius Management SE, his compensation has to be included in the compensation report of the Fresenius Group.
[2] With regard to the comparability of the amounts reported for 2019 with those for the fiscal year, it should be noted that the contractually agreed compensation payments in U.S. dollar for Mr. Rice Powell may be subject to fluctuations in the exchange rate. The U.S. dollar amounts were translated using the average exchange rate for the calendar year in question.
[3] Includes insurance premiums, private use of a company car, contributions to pension and health insurance, as well as other benefits. As compensation for long-term incentives from her former employer that were forfeited due to her change to Fresenius, Ms. Rachel Empey receives a fixed, additional special payment of €166,667 for each full year of service, limited to three such payments.

In the fiscal year 2020, the one-year variable compensation, excluding the payment of the short-term variable compensation to Mr. Rice Powell, amounted to €6,614 thousand. This equals 97% of the total one-year variable compensation. The remaining part in an amount of €183 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

To ensure that the overall system of compensation of the members of the Management Board is oriented towards long-term and sustained corporate development, the compensation system provides that the share of long-term variable compensation components is at least equal in its amount to half of the total variable compensation components granted to the respective member of the Management Board. As a means of ensuring this minimum ratio in favor of the variable compensation components oriented towards the long term, it is expressly provided that the Supervisory Board may determine that the one-year variable compensation to be paid as a rule annually is converted (pro rata) into a variable compensation component based on a multi-year assessment, in order to also take account of any negative developments within the performance period. This is done in such a way that the maturity of the one-year variable compensation earned yearly on a variable basis is postponed at the discretion of the Supervisory Board, either on a pro rata basis or in its entirety, by two years. At the same time, it is ensured that any payment is made to the member of the Management Board after expiration of such multi-year period only if (i) no subsequent adjustment of the net income (adjusted for extraordinary effects) attributable to Fresenius SE & Co. KGaA or the relevant business segment (after deduction of noncontrolling interests) decisive for assessing the one-year variable compensation beyond an amount equal to a tolerance range of 10% is made, and (ii) the amount of net income attributable to Fresenius SE & Co. KGaA or the relevant business segment (adjusted for extraordinary effects) in the two relevant subsequent years is not substantially less than the net income attributable to Fresenius SE & Co. KGaA or the relevant business segment (adjusted for extraordinary effects, after deduction of noncontrolling interests) of the respective preceding fiscal years. In the event of the aforementioned conditions for payment being missed only to a minor and/or partial extent, the Supervisory Board may resolve on a corresponding pro rata payment of the converted portion of the one-year variable compensation. No interest is payable on the converted one-year variable compensation claim from the time when it first arises until the time of its effective payment. In this way, the one-year variable compensation can be converted pro rata or in its entirety into a genuine variable compensation component on a multi-year assessment basis, which also participates in any negative developments during the relevant performance period.

In the fiscal year 2020, as a further component with long-term incentive effect, the Management Board members were granted performance shares under the Fresenius SE & Co. KGaA Long Term Incentive Plan 2018 (LTIP 2018). Mr. Rice Powell was granted performance shares under the Fresenius Medical Care Management Board Long Term Incentive Plan 2020 (MB LTIP 2020) of Fresenius Medical Care AG & Co. KGaA. Based on the LTIP 2018, both members of the Management Board and other executives were granted performance shares. In accordance with the division of powers under stock corporation law, grants to members of the Management Board were made by the Supervisory Board of Fresenius Management SE, and grants to other executives were made by the Management Board. The number of performance shares for Management Board members to be granted was determined by the Supervisory Board at the Supervisory Board's own due discretion, provided that generally all acting Management Board members as of December 31, 2020 received the same amount of performance shares, with the exception of the Chairman of the Management Board, who received approximately double the respective amount of performance shares, and Dr. Sebastian Biedenkopf who was not granted performance shares for the year 2020. Dr. Jürgen Götz was not granted any performance shares for the fiscal year on grounds of his departure from the Management Board of Fresenius Management SE with effect as of June 30, 2020.

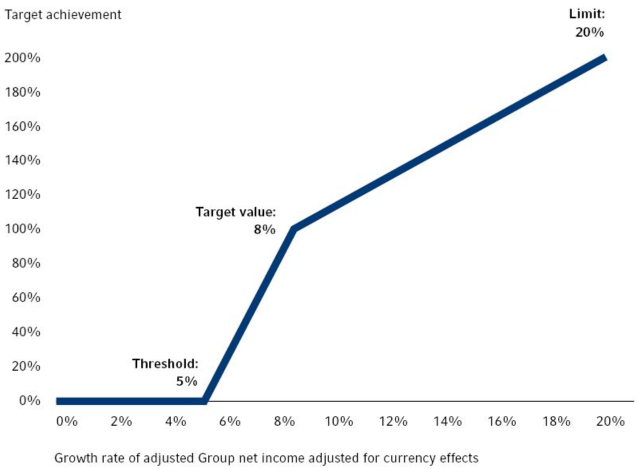
The vesting of the performance shares granted under the LTIP 2018 is subject to several conditions, such as the expiration of a four-year performance period, the absence of a compliance violation, the achievement or exceeding of two performance targets, and the continuation of the service or employment relationship. The number of performance shares may change over a period of four years, depending on the level of achievement of the performance targets. This could entail the entire loss of all performance shares or also – at maximum – the doubling of their number.

The LTIP 2018 has two equally weighted performance targets: firstly, the growth rate of the adjusted 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% p. a. over the four-year performance period. If the growth rate falls below or corresponds to only 5% p. a., the level of target achievement is 0%. If the growth rate is between 5% p. a. and 8% p. a., the level of target achievement is between 0% and 100%, while, where the growth rate is between 8% p. a. and 20% p. a., the level of target achievement will be between 100% and 200%. Intermediate values are calculated through linear interpolation.

The following graph shows the degree of target achievement between the threshold of 5% p. a. and the limit of 20% p. a.

GROWTH RATE OF
ADJUSTED GROUP NET INCOME
ADJUSTED FOR CURRENCY EFFECTS

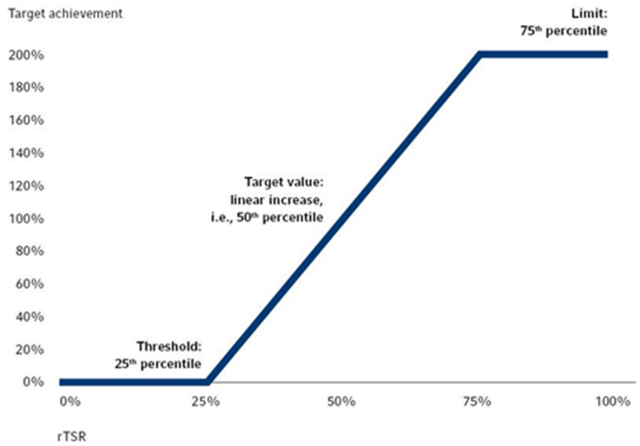


For the "Total Shareholder Return" performance target, a target achievement of 100% is met when the Total Shareholder Return of Fresenius SE & Co. KGaA in comparison with the Total Shareholder Return of the other companies of the STOXX Europe 600 Health Care Index achieves an average ranking within the 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.

The degree of target achievement between the threshold at the 25th percentile and the limit at the 75th percentile is presented in the adjacent graph.

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.

RELATIVE TOTAL SHAREHOLDER RETURN
(STOXX EUROPE 600 HEALTH CARE)



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. Four years after the grant, the vested performance shares will be paid out in cash. 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 possible disbursement entitlement of a Management Board member is limited to a maximum of 250% of the grant value (cap).

In the event of violation of compliance rules, the Supervisory Board, 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. 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.

If a member of the Management Board leaves the company, the performance shares are forfeited as a matter of principle.

Until the end of the fiscal year 2017, benefits under LTIP 2013 of Fresenius SE & Co. KGaA were granted as another component with long-term incentive effect, which resulted in an inflow in the 2020 fiscal year and may result in an inflow in the future. The benefits consisted, on the one hand, of share-based compensation with cash settlement (phantom stocks) and on the other hand of stock options on the basis of the Stock Option Plan 2013 of Fresenius SE & Co. KGaA. Based on the LTIP 2013, both members of the Management Board and other executives were granted stock options and phantom stocks. In accordance with the division of powers under stock corporation law, grants to members of the Management Board were made by the Supervisory Board of Fresenius Management SE, and grants to other executives were made by the Management Board. The number of stock options and phantom stocks for Management Board members to be granted was determined by the Supervisory Board at the Supervisory Board's own due discretion, provided that generally all Management Board members received the same amount of stock options and phantom stocks, with the exception of the Chairman of the Management Board, who received double the respective amount of stock options and phantom stocks. At the time of the grant, the participants in LTIP 2013 had the right to elect whether they wished to receive stock options and phantom stocks in a ratio of 75 : 25, or in a ratio of 50 : 50.

Exercise of the stock options and the phantom stocks granted under LTIP 2013 of Fresenius SE & Co. KGaA is subject to several conditions, such as expiry of a four-year waiting period, observance of blackout periods, achievement of the specified performance target, and continuance of the service or employment relationship. The vested stock options can be exercised within a period of four years. The vested phantom stocks are settled on March 1 of the year following the end of the waiting period.

The amount of the cash settlement pursuant to the Phantom Stock Plan 2013 is based on the volume-weighted average market price of the share of Fresenius SE & Co. KGaA during the three months preceding the exercise date.

The respective performance target has been reached if the adjusted consolidated net income of the company (net income attributable to the shareholders of the company) has increased by a minimum of 8% per year in comparison to the previous year within the waiting period, after adjustment for foreign currency effects. The performance target has also been achieved if the average annual growth rate of the adjusted consolidated net income of the company during the four-year waiting period is at least 8%, adjusted for foreign currency effects. If, with respect to one or more of the four reference periods within the waiting period, neither the adjusted consolidated net income of the company has increased by a minimum of 8% per year in comparison to the previous year, after adjustment for foreign currency effects, nor the average annual growth rate of the adjusted consolidated net income of the company during the four-year waiting period is at least 8%, adjusted for foreign currency effects, the respective granted stock options and phantom stocks are forfeited on a pro-rata basis according to the proportion of the performance target that has not been achieved within the waiting period, i.e., by one fourth, by two fourths, by three fourths, or completely. If a member of the Management Board leaves the company, the stock options and phantom stocks are forfeited as a matter of principle.

The principles of the LTIP 2018 and the LTIP 2013 of Fresenius SE & Co. KGaA and of the Management Board Long Term Incentive Plan 2019 (MB LTIP 2019) and the MB LTIP 2020 of Fresenius Medical Care AG & Co. KGaA are described in more detail in note 36 of the notes of the Fresenius Group, Share-based compensation plans.

Furthermore, through fiscal year 2017, the then acting members of the Management Board, with the exception of Ms. Rachel Empey and Mr. Rice Powell, were granted an entitlement to further share-based compensation with cash settlement (further phantom stocks) in the equivalent value of €100 thousand per Management Board member. With regard to the performance target and waiting period, the same conditions that pertain to the phantom stocks granted under LTIP 2013 apply to them.

For the fiscal years 2020 and 2019, the number and the value of performance shares issued and the value of the postponed performance-based compensation, is shown in the following table.

LONG-TERM INCENTIVE COMPONENTS

	Performance shares[1]				Postponed payment of the one-year variable compensation		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Stephan Sturm	**59,552**	55,115	**2,500**	2,500	**0**	0	**2,500**	2,500
Dr. Sebastian Biedenkopf (since December 1, 2020)	**0**	n.a.	**0**	n.a.	**50**	n.a.	**50**	n.a.
Dr. Francesco De Meo	**30,967**	28,660	**1,300**	1,300	**88**	103	**1,388**	1,403
Rachel Empey	**30,967**	28,660	**1,300**	1,300	**0**	0	**1,300**	1,300
Dr. Jürgen Götz (up to June 30, 2020)	**0**	28,660	**0**	1,300	**0**	0	**0**	1,300
Mats Henriksson	**30,967**	28,660	**1,300**	1,300	**45**	69	**1,345**	1,369
Rice Powell	**35,030**	25,127	**2,170**	2,232[2]	**0**	0	**2,170**	2,232
Dr. Ernst Wastler	**30,967**	28,660	**1,300**	1,300	**0**	0	**1,300**	1,300
Total	**218,450**	223,542	**9,870**	11,232	**183**	172	**10,053**	11,404

[1] The amounts comprise all performance shares including performance shares and share based awards of Fresenius Medical Care AG & Co. KGaA that were granted in 2020 and 2019.
[2] With regard to the comparability of the amounts reported for 2019 with those for the fiscal year, it should be noted that the contractually agreed compensation payments in U.S. dollar for Mr. Rice Powell may be subject to fluctuations in the exchange rate. The U.S. dollar amounts were translated using the closing price on the day on which the performance shares in question were granted.

The stated values for the year 2020 correspond to the fair value of the performance shares at the time of grant, namely a value of €41.98 per performance share of Fresenius SE & Co. KGaA and a value of US$72.17 per performance share of Fresenius Medical Care AG & Co. KGaA (2019: €45.36 per performance share of Fresenius SE & Co. KGaA and US$69.71 per performance share of Fresenius Medical Care AG & Co. KGaA).

At the end of the fiscal year 2020, the members of the Management Board held a total of 467,335 performance shares (2019: 331,849) and 43,150 phantom stocks (2019: 138,385) of Fresenius SE & Co. KGaA and 97,213 performance shares (2019: 92,700) of Fresenius Medical Care AG & Co. KGaA. Furthermore, they held a total of 890,156 stock options (2019: 1,434,375) of Fresenius SE & Co. KGaA as well as 224,100 stock options (2019: 256,781) of Fresenius Medical Care AG & Co. KGaA.

The development and the status of the stock options of the Management Board in the fiscal year 2020 are shown in the following table:

	Stephan Sturm	Dr. Francesco De Meo	Rachel Empey	Mats Henriksson	Rice Powell[1]	Dr. Ernst Wastler	**Total[2]**
Options outstanding on January 1, 2020							
Number	371,250	247,500	28,125	247,500	256,781	270,000	**1,164,375**
Average exercise price in €	61.03	61.65	64.69	56.15	66.06	56.97	**59.27**
Options exercised during the fiscal year							
Number	0	0	0	0	32,681	0	**0**
Average exercise price in €	0				52.99		**0**
Average stock price in €	0				72.00		**0**
Options forfeited during the fiscal year							
Number	101,250	50,625	21,094	50,625	0	50,625	**274,219**
Average exercise price in €	74.77	74.77	64.69	74.77	n.a.	74.77	**73.79**
Options outstanding on December 31, 2020							
Number	270,000	196,875	7,031	196,875	224,100	219,375	**890,156**
Average exercise price in €	55.88	58.27	64.69	51.36	67.97	52.87	**54.74**
Average remaining life in years	2.8	2.9	4.9	2.4	2.2	2.5	**2.6**
Range of exercise prices in €	33.10 to 74.77	36.92 to 74.77	64.69	33.10 to 74.77	49.93 to 76.99	33.10 to 74.77	**33.10 to 74.77**
Exercisable options on December 31, 2020							
Number	236,250	180,000	0	180,000	224,100	202,500	**798,750**
Average exercise price in €	53.18	56.73		49.17	67.97	51.04	**52.53**

[1] Mr. Rice Powell holds stock options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011.
[2] Only stock options of Fresenius SE & Co. KGaA, excluding stock options of Mr. Rice Powell

The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2020 and 2019:

	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
	2020	2019	**2020**	2019	**2020**	2019
Stephan Sturm	**3,020**	3,021	**2,500**	2,500	**5,520**	5,521
Dr. Sebastian Biedenkopf (since December 1, 2020)	**54**	n.a.	**50**	n.a.	**104**	n.a.
Dr. Francesco De Meo	**2,059**	2,065	**1,388**	1,403	**3,447**	3,468
Rachel Empey	**1,699**	1,610	**1,300**	1,300	**2,999**	2,910
Dr. Jürgen Götz (up to June 30, 2020)	**766**	1,505	**0**	1,300	**766**	2,805
Mats Henriksson	**2,093**	2,143	**1,345**	1,369	**3,438**	3,512
Rice Powell	**3,932**	3,566[1]	**2,170**	2,232[1]	**6,102**	5,798[1]
Dr. Ernst Wastler	**1,394**	1,558	**1,300**	1,300	**2,694**	2,858
Total	**15,017**	15,468	**10,053**	11,404	**25,070**	26,872

[1] With regard to the comparability of the amounts reported with those for the fiscal year, it should be noted that the contractually agreed compensation benefits in U.S. dollar for Mr. Rice Powell may be subject to fluctuations in the exchange rate. The U.S. dollar amounts were translated using the average exchange rate for the calendar year in question; the U.S. dollar amounts for performance shares granted under the MB LTIP 2020 (for the fiscal year) and under the MB LTIP 2019 (for 2019) were translated using the closing price on the day on which the performance shares in question were granted.

The entitlement to cash payment of a share-based compensation (performance shares and phantom stocks) only arises after the expiry of a four-year vesting period, just as stock options can only be exercised after a vesting period of four years. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses and income attributable to the fiscal years 2020 and 2019 are stated in the following table. In the case of Dr. Jürgen Götz, the values for 2020 include adjustments to the expenses of previous years for the stock options, phantom stocks and performance shares that were forfeited due to his departure.

EXPENSES / INCOME FOR LONG-TERM INCENTIVE COMPONENTS

€ in thousands	Performance shares/ Phantom stocks		Stock options		Total expenses/income for share-based compensation	
	2020	2019	**2020**	2019	**2020**	2019
Stephan Sturm	**-556**	913	**-650**	909	**-1,206**	1,822
Dr. Sebastian Biedenkopf (since December 1, 2020)	**0**	n.a.	**0**	n.a.	**0**	n.a.
Dr. Francesco De Meo	**-323**	569	**-287**	616	**-610**	1,185
Rachel Empey	**-180**	223	**-135**	75	**-315**	298
Dr. Jürgen Götz (up to June 30, 2020)	**-912**	650	**-2,433**	568	**-3,345**	1,218
Mats Henriksson	**-344**	713	**-338**	482	**-682**	1,195
Rice Powell	**2,666**	2,588[1]	**0**	327	**2,666**	2,915
Dr. Ernst Wastler	**-330**	650	**-287**	568	**-617**	1,218
Total	**21**	6,306	**-4,130**	3,545	**-4,109**	9,851

[1] Includes expenses for performance shares, phantom stocks and share based awards of Fresenius Medical Care AG & Co. KGaA

The short-term performance-based compensation is limited in its amount. As regards stock options, phantom stocks and performance shares, there are contractually agreed limitation possibilities. This makes it possible to adequately take account in particular of those extraordinary developments that are not in any relevant proportion to the performance of the Management Board.

With regard to the compensation granted to the members of the Management Board starting fiscal year 2018, the service agreements with Fresenius Management SE provide for a cap regarding both every single variable compensation amount and overall compensation. Furthermore, they include an allocation cap in the amount of €6,000 thousand for Ms. Rachel Empey, Dr. Francesco De Meo, Dr. Jürgen Götz (Management Board member until June 30, 2020), Mr. Mats Henriksson, and Dr. Ernst Wastler and €9,000 thousand for Mr. Stephan Sturm.

The compensation of Dr. Sebastian Biedenkopf (Management Board member since December 1, 2020) is based on the revised compensation system for members of the Management Board entered into effect on January 1, 2021. For the period from December 1, 2020 to December 31, 2020, the compensation components granted to Dr. Sebastian Biedenkopf were contractually fixed. With regard to the compensation granted to Mr. Rice Powell, the Fresenius Medical Care compensation system, which was amended with effect as of January 1, 2020, stipulates a maximum amount of total compensation (maximum compensation) of €12.000 thousand (or US$13.434 thousand.

Under the compensation system, the amount of the fixed and the total compensation of the members of the Management Board was, and will be, assessed giving particular regard to the relevant comparison values of other DAX companies and similar companies of comparable size and performance from the relevant industrial sector.

COMMITMENTS TO MEMBERS OF THE MANAGEMENT BOARD IN THE EVENT OF THE TERMINATION OF THEIR APPOINTMENT

There are individual contractual pension commitments for the Management Board members Mr. Stephan Sturm, Dr. Francesco De Meo, and Rachel Empey based on their service agreements with the general partner of Fresenius SE & Co. KGaA. The member of the Management Board, Dr. Jürgen Götz, who retired on June 30, 2020, is entitled to an individual pension commitment on the basis of his terminated service agreement with the general partner of Fresenius SE & Co. KGaA. The Management Board member Dr. Ernst Wastler has a pension commitment from VAMED Aktiengesellschaft, Vienna; Fresenius SE & Co. KGaA has issued a guarantee for the commitments thereunder. The Management Board member Mr. Mats Henriksson has an individual contractual pension commitment from Fresenius Kabi AG. The Management Board member Mr. Rice Powell has received an individual contractual pension commitment from Fresenius Medical Care Management AG. Furthermore, he has acquired non-forfeitable entitlements from participating in pension plans for employees of Fresenius Medical Care North America, and during the fiscal year 2020, he participated in the U.S.-based 401(k) Savings Plan. This plan generally enables employees in the United States to invest part of their gross income into retirement plans. The Management Board member Dr. Sebastian Biedenkopf does not have a pension commitment. With regard to the pension commitments for acting Management Board members as of December 31 of the fiscal year, the Fresenius Group had pension obligations of €46,446 thousand as of December 31, 2020 (2019: €46,870 thousand). The additions to pension liability in the fiscal year 2020 amounted to -€424 thousand (2019: €9,988 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2020	Additions	**As of December 31, 2020**
Stephan Sturm	8,259	457	**8,716**
Dr. Sebastian Biedenkopf (since December 1, 2020)	n.a.	0	**0**
Dr. Francesco De Meo	4,816	-1,107	**3,709**
Rachel Empey	0	1,150	**1,150**
Dr. Jürgen Götz (up to June 30, 2020)	4,176	-11	**4,165**
Mats Henriksson	6,733	20	**6,753**
Rice Powell	16,249	-1,522	**14,727**
Dr. Ernst Wastler	6,637	589	**7,226**
Total	46,870	-424	**46,446**

As of December 31, 2020, the settlement amount of the pension obligation under the German Commercial Code totaled €38,558 thousand (previous year: €36,720 thousand). Thereof attributable to Mr. Stephan Sturm €7,291 thousand, to Dr. Francesco De Meo €3,071 thousand, to Ms. Rachel Empey €873 thousand, to Dr. Jürgen Götz €3,449 thousand, to Mr. Mats Henriksson €5,444 thousand, to Mr. Rice Powell €12.791 thousand and to Dr. Ernst Wastler €5,639 thousand. No pension obligations in the fiscal year and in the previous year are attributable to Dr. Sebastian Biedenkopf.

Each of the pension commitments provides for a pension and survivor benefit, depending on the amount of the most recent fixed compensation, from the 63rd year of life (or 65th year for Mr. Rice Powell), or, in the case of termination because of professional or occupational incapacity, from the time of ending active work.

The pension's starting percentage of 30% of the last fixed compensation increases with every full year of service as a Management Board member by 1.5 percentage points, 45% being the attainable maximum.

Current pensions increase according to legal requirements (Section 16 of the German law to improve company pension plans, BetrAVG).

30% of the gross amount of any post-retirement income from an occupation of the Management Board member is offset against the pension for professional or occupational incapacity.

In the event of the death of one of the Management Board members, the surviving spouse receives a pension equivalent to 60% of the pension entitlement accruing at the time of death. In addition, biological children of the deceased Management Board member and/or, in individual cases, biological children of the deceased Management Board member's spouse who were adopted by the deceased Management Board member as children, receive an orphan's pension equivalent to 20% of the pension entitlement accruing at the time of death until completion of their vocational training, but at the most until the age of 25 years. However, all surviving dependents' pensions are capped at an aggregate 90% of the Management Board member's pension entitlement.

If a Management Board member's service as a member of the Management Board of Fresenius Management SE (or Mr. Rice Powell as a member of the Management Board of Fresenius Medical Care Management AG) ends before the age of 63 years (or 65 years for Mr. Rice Powell) for reasons other than professional or occupational incapacity, the rights to the said pension benefits vest, but the pension payable upon the occurrence of a pensionable event is reduced pro rata according to the actual length of service as a Management Board member compared to the potential length of service until the age of 63 years (or 65 years for Mr. Rice Powell).

The pension commitment for Dr. Ernst Wastler provides for a normal pension, a professional incapacity pension, and a widow's and orphan's pension. The normal pension is payable at the earliest at the age of 62 years. The pension benefits are equivalent to 1.2% per year of service based on the last fixed compensation, with a cap of 40%. The widow's pension (60%) and the orphan's pension (20% each) are capped in aggregate at not more than Dr. Ernst Wastler's pension entitlement at the time of death. Pensions, retirement, and other benefits from third parties are set off against the pension benefit if the credited periods of service overlap.

The Management Board member Mr. Mats Henriksson has solely a pension commitment from Fresenius Kabi AG from the period of his previous service as simple member of the Management Board of Fresenius Kabi AG. This pension commitment remained unaffected by the service agreement with Fresenius Management SE, beginning on January 1, 2013. It is based on the pension policy of the Fresenius companies, and provides for retirement, incapacity, and survivors' pensions. It does not set forth any deduction of other income or pension benefits. The widow's pension amounts to 60% of the incapacity or retirement pension to be granted at the time of death; the orphan's pension amounts to 10% (half-orphans) or 20% (orphans) of the incapacity or retirement pension to be granted at the time of death. The total entitlements of widows and orphans are limited to 100% of Mr. Mats Henriksson's pension entitlements.

A post-employment non-competition covenant was agreed upon for all Management Board members. If such a covenant becomes applicable, the Management Board members receive a waiting allowance that is generally equivalent to half of the sum of the most recently received fixed compensation and the minimum amount of bonus for each year of respective application of the non-competition covenant, up to a maximum of two years.

The service agreements of the Management Board members do not contain any explicit provision for the event of a change of control.

Payments in the event of premature termination of a member's services for the Management Board, including fringe benefits, are limited to two years' compensation, at maximum no more than the compensation due for the remaining term of the respective service agreement (severance payment cap).

No severance payments will be due in the event of termination of the service agreement for cause on grounds attributable to the relevant member of the Management Board. The calculation of the severance payment cap is based on the total compensation within the meaning of Section 285 No. 9a of the German Commercial Code (HGB) for the past fiscal year as well as the anticipated total compensation for the fiscal year in which the termination occurs (whereby only the non-performance-based compensation components are taken into account for the calculation of the relevant annual compensation of Mr. Rice Powell).

In the event of termination of his employment, Dr. Ernst Wastler is entitled to a severance payment based on contractual agreements with VAMED Aktiengesellschaft. The severance payment stipulates entitlement to a payment that depends on the length of service and amounts to a maximum of one year's gross compensation (within the meaning of Section 23 of the Austrian Salaried Employees Act). With regard to the severance payment entitlement of Dr. Ernst Wastler, a severance payment provision of €1,283 thousand (IFRS DBO (defined benefit obligation)) is in place as of December 31 of the fiscal year.

MISCELLANEOUS

All members of the Management Board have received individual contractual commitments for the continuation of their compensation in the event of sickness for a maximum period of 12 months, provided that, after 6 months of sickness-related absence, any insurance benefits that may be paid are to be deducted from such continued compensation. In the event of death of a member of the Management Board, the surviving dependents will receive three monthly payments after the month in which the death occurred, at maximum, however, until the expiry of the respective employment agreement.

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

Fresenius SE & Co. KGaA undertook to indemnify the Management Board members, to the legally permitted extent, against any claims that may be asserted against them in the course of their service for the company and its affiliated Group companies to the extent that such claims exceed their liability under German law. To cover such obligations, the company purchased a directors' & officers' insurance, the deductible complying with the requirements of stock corporation law. The indemnification covers the period during which the respective member of the Management Board holds office, as well as any claim in this regard after termination of the service on the Management Board.

Based on pension commitments to former members of the Management Board, €1,147 thousand were paid in the fiscal year 2020 (2019: €1,154 thousand). The benefit obligation for these persons amounted to €23,867 thousand (2019: €24,863 thousand).

In the fiscal year 2019, €568 thousand were paid to Dr. Ben Lipps as a result of a consultancy agreement entered into with Fresenius Medical Care Management AG. Also in 2019, an amendment to the agreement was made which provided for a one-off payment of €1,129 thousand for the remaining term of the agreement until 2021. This payment was made in the fiscal year 2019 as well. All payments for services to be performed by him under the consulting agreement have thus been made.

Due to the post-employment non-competition covenant applicable following his departure on June 30, 2020, Dr. Jürgen Götz obtained a waiting allowance of €303 thousand for the period from July 1, 2020 to December 31, 2020.

REVISION OF THE COMPENSATION SYSTEM FOR MEMBERS OF THE MANAGEMENT BOARD

The Supervisory Board attaches great importance to good corporate governance – also with regard to Management Board compensation. This includes ensuring an effective incentive system that is in line with the market. For this reason, in the 2020 fiscal year, the Supervisory Board dealt intensively with the system for compensating the members of the Management Board of the general partner, continuously and closely monitored the ongoing development of the standards of good corporate governance, and identified suitable measures for adapting the existing compensation arrangements. On the basis of intensive discussions – also with external stakeholders – and the provisions of the German Stock Corporation Act as amended by the Act Implementing the Second Shareholder Rights Directive and the recommendations of the German Corporate Governance Code as amended on December 16, 2019, the system for the compensation of the members of the Management Board of the general partner was comprehensively revised.

The Supervisory Board is convinced that the changes to the compensation system will make a significant contribution to creating greater incentives to harmonize the long-term strategic business alignment even more closely with the changing interests of the shareholders of the company, while giving due consideration to the changed regulatory environment. Furthermore, the basic system for compensating the members of the Management Board was adjusted, its complexity reduced and the performance-related nature of the variable compensation enhanced.

The company’s commitment to environmental, social and governance (ESG) aspects will be reinforced by the introduction of ESG performance targets to the compensation of the Management Board. The guaranteed payment of short-term variable compensation will be abolished in order to further enhance the performance-related nature of the compensation system, thereby giving due consideration to a key concern of our shareholders. Short-term variable compensation will be fully variabilized, as a result of which the new compensation system will be significantly aligned to the company’s performance through the significant share of variable compensation. In the future, malus and clawback clauses will also be implemented to the short-term variable compensation in line with the LTIP 2018. Furthermore, the new compensation system stipulates mandatory share retention rules that will give a further boost to share ownership and an ownership culture. The possibility of paying a discretionary special payment (discretionary bonus) is expressly excluded. In addition, the company pension scheme will be decoupled from the basic compensation; for newly appointed members of the Management Board it will be structured as a defined contribution plan. In addition, a maximum compensation will be fixed for each Management Board member, which will cover all compensation components.

The comprehensively revised system for compensating the members of the Management Board of the general partner is to be submitted for approval to the Annual General Meeting of the company on May 21, 2021, in accordance with the provisions of the German Stock Corporation Act as amended by the Act Implementing the Second Shareholder Rights Directive and will apply from the fiscal year 2021 onward.

TABLES DISPLAYING THE VALUE OF BENEFITS GRANTED AND ALLOCATIONS

The German Corporate Governance Code dated February 7, 2017, stipulated that specific information shall be presented in the compensation report pertaining to the benefits granted for the year under review as well as the allocations and service costs in / for the year under review. The model tables provided in the appendix of the German Corporate Governance Code in the stated version shall be used to present the information.

The following tables contain disclosures on both the value of the benefits granted and on the allocations. They conform to the structure and to the specification of the model tables of the German Corporate Governance Code as amended on February 7, 2017, to enable the best possible comparability with the previous year's figures. The table displaying allocations additionally shows the allocation for the fiscal year, that is, without multi-year variable compensation / components with long-term incentive effect. This illustrates clearly which allocation is to be attributed to the activity in the respective year under review and which allocation results from the compensation components that were granted in the previous reporting year – or even several years. Through differentiation, the comparability of the respective development in compensation is also increased.

	Stephan Sturm Chairman of the Management Board (since July 1, 2016) Board member since January 1, 2005				**Dr. Sebastian Biedenkopf** Chief Legal, Compliance and Insurance Officer, and Labor Relations Director Board member since December 1, 2020				**Dr. Francesco De Meo** CEO Fresenius Helios Board member since January 1, 2008				**Rachel Empey** Chief Financial Officer Board member since August 1, 2017			
Benefits granted Value € in thousands	**2020**	2020 min.	2020 max.	2019	**2020**	2020 min.	2020 max.	2019	**2020**	2020 min.	2020 max.	2019	**2020**	2020 min.	2020 max.	2019
Fixed compensation	**1,100**	1,100	1,100	1,100	**50**	50	50	n.a.	**630**	630	630	630	**704**	704	704	600
Fringe benefits	**82**	82	82	55	**4**	4	4	n.a.	**41**	41	41	32	**196**	196	196	198
Total non-performance-based compensation	**1,182**	1,182	1,182	1,155	**54**	54	54	n.a.	**671**	671	671	662	**900**	900	900	798
One-year variable compensation[1]	**1,838**	1,750	2,300	1,866	**0**	0	0	n.a.	**1,388**	1,050	1,750	1,403	**799**	760	1,000	812
Multi-year variable compensation / components with long-term incentive effect	**2,500**	0	6,250	2,500	**50**	50	50	n.a.	**1,388**	0	3,250	1,403	**1,300**	0	3,250	1,300
Thereof postponed one-year variable compensation	**0**	0	n.a.	0	**50**	50	50		**88**	0	n.a.	103	**0**	0	n.a.	0
Thereof performance shares (LTIP 2018) (five-year term)	**2,500**	0	6,250	2,500	**0**	0	0		**1,300**	0	3,250	1,300	**1,300**	0	3,250	1,300
Total non-performance-based and performance-based compensation	**5,520**	2,932	9,732	5,521	**104**	104	104	n.a.	**3,447**	1,721	5,671	3,468	**2,999**	1,660	5,150	2,910
Service cost	**541**	541	541	468	**0**	0	0	n.a.	**391**	391	391	336	**1,150**	1,150	1,150	0
Value of benefits granted[2]	**6,061**	3,473	10,273	5,989	**104**	104	104	n.a.	**3,838**	2,112	6,062	3,804	**4,149**	2,810	6,300	2,910

[1] For the one-year variable compensation, there are no target values or comparable values for Board members who receive their compensation from Fresenius Management SE. The one-year variable compensation is calculated on the basis of bonus curves that are valid for several years. For this reason, the allocation from the one-year variable compensation is stated for the years 2020 and 2019.

[2] Furthermore, an allocation cap in the amount of €6,000 thousand for Ms. Rachel Empey, Dr. Francesco De Meo, Dr. Jürgen Götz, Mr. Mats Henriksson, and Dr. Ernst Wastler and €9,000 thousand for Mr. Stephan Sturm applies. The maximum amount of total compensation (maximum compensation) of €12,000 thousand (or US$13,434 thousand) under the Fresenius Medical Care compensation system, as amended with effect from January 1, 2020, shall apply to Mr. Rice Powell.

Benefits granted Value € in thousands	Dr. Jürgen Götz Chief Legal and Compliance Officer, and Labor Relations Director (up to June 30, 2020) Board member since July 1, 2007				Mats Henriksson CEO Fresenius Kabi Board member since January 1, 2013				Rice Powell CEO Fresenius Medical Care Board member since January 1, 2013				Dr. Ernst Wastler CEO Fresenius Vamed Board member since January 1, 2008			
	2020	2020 min.	2020 max.	2019	**2020**	2020 min.	2020 max.	2019	**2020**	2020 min.	2020 max.	2019[2]	**2020**	2020 min.	2020 max.	2019
Fixed compensation	**255**	255	255	510	**660**	660	660	660	**1,769**	1,769	1,769	1,340	**550**	550	550	550
Fringe benefits	**36**	36	36	45	**88**	88	88	114	**429**	429	429	256	**75**	75	75	76
Total non-performance-based compensation	**291**	291	291	555	**748**	748	748	774	**2,198**	2,198	2,198	1,596	**625**	625	625	626
One-year variable compensation[1]	**475**	350	475	950	**1,345**	1,300	1,800	1,369	**1,857**	0	2,228	2,211	**769**	650	950	932
Multi-year variable compensation/ components with long-term incentive effect	**0**	0	0	1,300	**1,345**	0	3,250	1,369	**2,170**	0	9,361	2,232[3]	**1,300**	0	3,250	1,300
Thereof postponed one-year variable compensation	**0**	0	n.a.	0	**45**	0	n.a.	69					**0**	0	n.a.	0
Thereof performance shares (LTIP 2018) (five-year term)	**0**	0	0	1,300	**1,300**	0	3,250	1,300					**1,300**	0	3,250	1,300
Total non-performance-based and performance-based compensation	**766**	641	766	2,805	**3,438**	2,048	5,798	3,512	**6,225**	2,198	13,787	6,039	**2,694**	1,275	4,825	2,858
Service cost	**292**	292	292	251	**252**	252	252	216	**0**	0	0	828	**189**	189	189	153
Value of benefits granted[4]	**1,058**	933	1,058	3,056	**3,690**	2,300	6,050	3,728	**6,225**	2,198	13,787	6,867	**2,883**	1,464	5,014	3,011

[1] For the one-year variable compensation, there are no target values or comparable values for Board members who receive their compensation from Fresenius Management SE. The one-year variable compensation is calculated on the basis of bonus curves that are valid for several years. For this reason, the allocation from the one-year variable compensation is stated for the years 2020 and 2019.

[2] With regard to the comparability of the amounts reported with those for the fiscal year, it should be noted that the contractually agreed compensation benefits in U.S. dollar for Mr. Rice Powell may be subject to fluctuations in the exchange rate. The U.S. dollar amounts were translated using the average exchange rate for the calendar year in question; the U.S. dollar amounts for performance shares granted under the MB LTIP 2020 (for the fiscal year) and under the MB LTIP 2019 (for 2019) were translated using the closing price on the day on which the performance shares in question were granted.

[3] Mr. Rice Powell was granted share-based payments from the programs of Fresenius Medical Care AG & Co. KGaA as follows:
in 2020: €2,170 thousand from the Management Board Long Term Incentive Plan 2020
in 2019: €657 thousand from the Share Based Award and €1,575 thousand from the Management Board Long Term Incentive Plan 2019

[4] Furthermore, an allocation cap in the amount of €6,000 thousand for Ms. Rachel Empey, Dr. Francesco De Meo, Dr. Jürgen Götz, Mr. Mats Henriksson, and Dr. Ernst Wastler and €9,000 thousand for Mr. Stephan Sturm applies. The maximum amount of total compensation (maximum compensation) of €12,000 thousand (or US$13,434 thousand) under the Fresenius Medical Care compensation system, as amended with effect from January 1, 2020, shall apply to Mr. Rice Powell.

Allocations Value € in thousands	Stephan Sturm Chairman of the Management Board (since July 1, 2016) Board member since January 1, 2005		Dr. Sebastian Biedenkopf Chief Legal, Compliance and Insurance Officer, and Labor Relations Director Board member since December 1, 2020		Dr. Francesco De Meo CEO Fresenius Helios Board member since January 1, 2008		Rachel Empey Chief Financial Officer Board member since August 1, 2017	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Fixed compensation	**1,100**	1,100	**50**	n.a.	**630**	630	**704**	600
Fringe benefits	**82**	55	**4**	n.a.	**41**	32	**196**	198
Total non-performance-based compensation	**1,182**	1,155	**54**	n.a.	**671**	662	**900**	798
One-year variable compensation	**1,838**	1,866	**0**	n.a.	**1,388**	1,403	**799**	812
Multi-year variable compensation/ components with long-term incentive effect	**633**	2,524	**0**	n.a.	**506**	654	**0**	0
Thereof postponed one-year variable compensation					**148**			
Thereof Stock Option Plan 2008 (five-year term)								
Issue 2012		1,870						
Thereof Stock Option Plan 2013 (five-year term)								
Issue 2013								
Thereof Phantom Stock Plan 2013 (five-year term)								
Issue 2014		523				523		
Issue 2015	**550**				**275**			
Thereof further phantom stocks								
Issue 2014		131				131		
Issue 2015	**83**				**83**			
Other	**0**	0	**0**	n.a.	**0**	0	**0**	0
Total non-performance-based and performance-based compensation	**3,653**	5,545	**54**	n.a.	**2,565**	2,719	**1,699**	1,610
Service cost	**541**	468	**0**	n.a.	**391**	336	**1,150**	0
Allocation including multi-year variable compensation/ components with long-term incentive effect	**4,194**	6,013	**54**	n.a.	**2,956**	3,055	**2,849**	1,610
Allocation for the year under review (not including multi-year variable compensation/ components with long-term incentive effect)	**3,561**	3,489	**54**	n.a.	**2,450**	2,401	**2,849**	1,610

Allocations Value € in thousands	Dr. Jürgen Götz (up to June 30, 2020) Chief Legal and Compliance Officer, and Labor Relations Director Board member since July 1, 2007		Mats Henriksson CEO Fresenius Kabi Board member since January 1, 2013		Rice Powell CEO Fresenius Medical Care Board member since January 1, 2013		Dr. Ernst Wastler CEO Fresenius Vamed Board member since January 1, 2008	
	2020	2019	**2020**	2019	**2020**	2019[1]	**2020**	2019
Fixed compensation	**255**	510	**660**	660	**1,769**	1,340	**550**	550
Fringe benefits	**36**	45	**88**	114	**429**	256	**75**	76
Total non-performance-based compensation	**291**	555	**748**	774	**2,198**	1,596	**625**	626
One-year variable compensation	**475**	950	**1,345**	1,369	**1,734**	1,970	**769**	932
Multi-year variable compensation/ components with long-term incentive effect	**672**	654	**633**	654	**4,331**[2]	494[2]	**633**	654
Thereof postponed one-year variable compensation								
Thereof Stock Option Plan 2008 (five-year term)								
Issue 2012								
Thereof Stock Option Plan 2013 (five-year term)								
Issue 2013	**39**[3]							
Thereof Phantom Stock Plan 2013 (five-year term)								
Issue 2013		523		523				523
Issue 2014	**550**		**550**				**550**	
Thereof further phantom stocks								
Issue 2013		131		131				131
Issue 2014	**83**		**83**				**83**	
Other	**0**	0	**0**	0	**0**	0	**0**	0
Total non-performance-based and performance-based compensation	**1,438**	2,159	**2,726**	2,797	**8,263**	4,060	**2,027**	2,212
Service cost	**292**	251	**252**	216	**0**	828	**189**	153
Allocation including multi-year variable compensation/ components with long-term incentive effect	**1,730**	2,410	**2,978**	3,013	**8,263**	4,888	**2,216**	2,365
Allocation for the year under review (not including multi-year variable compensation/ components with long-term incentive effect)	**1,058**	1,756	**2,345**	2,359	**3,932**	4,394	**1,583**	1,711

[1] With regard to the comparability of the amounts reported with those for the fiscal year, it should be noted that the contractually agreed compensation benefits in U.S. dollar for Mr. Rice Powell may be subject to fluctuations in the exchange rate. The terms and conditions of the Share Based Award and the Long Term Incentive Program 2011 stipulate an entitlement to an inflow in euro at all times. The U.S. dollar amounts were generally translated using the average exchange rate for the relevant calendar year; the U.S. dollar amounts for the LTIP 2016 were translated using the closing rate on the respective vesting date.

[2] Mr. Rice Powell had this allocation from the share-based compensation plans of Fresenius Medical Care:
in 2020: €659 thousand from the Share Based Award issue 2016, €171 from the Long Term Incentive Program 2011 – Stock Option Plan 2011 issue 2012, €450 thousand from the Long Term Incentive Program 2011 – Stock Option Plan 2011 issue 2013, €748 thousand from the Long Term Incentive Program 2011 – Phantom Stock Plan 2011 issue 2015, €2,303 thousand from the Long Term Incentive Program 2011 – Phantom Stock Plan 2011 issue 2016
in 2019: €150 thousand from the Share Based Award issue 2015 and €344 thousand from the Long Term Incentive Program 2011 – Phantom Stock Plan 2011 issue 2014

[3] This inflow originates from stock options exercised by Dr. Jürgen Götz in accordance with the terms and conditions of the 2013 Stock Option Plan following his retirement on June 30, 2020.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board is determined by the Annual General Meeting and is governed by Section 13 of the Articles of Association of Fresenius SE & Co. KGaA applicable to the compensation of the Supervisory Board in the fiscal year.

Each member of the Supervisory Board shall receive an amount of €150 thousand annually for each full fiscal year as fixed compensation, payable after the end of the fiscal year. In addition, each member of the Supervisory Board shall receive variable success-oriented compensation for each full fiscal year that is oriented on the respective average growth rate of the net income attributable to shareholders of Fresenius SE & Co. KGaA for the compensation year and the two preceding fiscal years (three-year average growth of the net income attributable to shareholders of Fresenius SE & Co. KGaA).

The calculation of the amount of this variable compensation shall be made in accordance with the following formula:

Three-year average growth of net income attributable to shareholders of Fresenius SE & Co. KGaA	Variable compensation
> 0 to 2.5%	€30,000
> 2.5 to 5%	€60,000
> 5 to 7.5%	€90,000
> 7.5 to 10%	€120,000
> 10%	€150,000

A claim to grant variable compensation shall only accrue from the achievement of three-year annual growth of the net income attributable to shareholders of Fresenius SE & Co. KGaA of more than 0%. On the achievement of the five percentage corridors described above, the amounts of variable compensation shall each be provided in full, i.e., no interpolation shall take place within these corridors. The net income attributable to shareholders of Fresenius SE & Co. KGaA disclosed in the consolidated annual financial statements shall be authoritative in each case. This variable compensation is limited to a maximum amount of €150 thousand p. a. The disbursement of variable compensation shall generally be made annually, provided targets have been reached and in each case at the end of the calendar quarter in which the annual financial statements of the company are approved by the Annual General Meeting. If the Annual General Meeting approves a resolution providing higher compensation, this shall apply.

The Chairman of the Supervisory Board receives three times and his deputies one and a half times the fixed compensation of a member of the Supervisory Board.

A member of the Audit Committee of the Supervisory Board shall for their membership receive additional fixed compensation of €20 thousand and the Chairman of the Audit Committee twice this amount.

If a fiscal year does not encompass a full calendar year or if a member of the Supervisory Board is on the Supervisory Board only for a part of the fiscal year, the compensation shall be paid on a pro rata temporis basis. This applies accordingly to membership of the Audit Committee of the Supervisory Board.

The members of the Supervisory Board shall be refunded expenses incurred when exercising their functions, which also includes applicable value-added tax due for payment.

Fresenius SE & Co. KGaA shall provide members of the Supervisory Board with insurance coverage to an appropriate extent for exercising Supervisory Board activities.

If a member of the Supervisory Board of Fresenius SE & Co. KGaA is at the same time a member of the Supervisory Board of the general partner Fresenius Management SE and receives compensation for his services on the Supervisory Board of Fresenius Management SE, compensation shall be reduced by half. The same applies with respect to the additional part of compensation for the Chairman, provided he is simultaneously the Chairman of the Supervisory Board of Fresenius Management SE; this applies to his deputies accordingly, provided the deputies are at the same time the deputies of the Chairman of the Supervisory Board of Fresenius Management SE. If a deputy of the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA is at the same time the Chairman of the Supervisory Board of Fresenius Management SE, he shall not receive compensation for his service as Deputy Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. According to Section 7 of the articles of association of Fresenius SE & Co. KGaA, the compensation of the Supervisory Board of Fresenius Management SE will be charged to Fresenius SE & Co. KGaA.

Additionally, in his capacity as Chairman of the Supervisory Board of Fresenius Management SE, Dr. Gerd Krick was reimbursed for the costs for the operation of an intrusion detection system in the amount of €1.0 thousand.

For the fiscal years 2020 and 2019, the compensation for the members of the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE (excluding expenses and reimbursements), including compensation for committee services, was as follows:

	Fixed compensation				Compensation for committee services				Variable compensation				Total compensation	
	Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE			
€ in thousands	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Dr. Gerd Krick	**225**	225	**225**	225	**20**	20	**20**	20	**0**	45	**0**	45	**490**	580
Michael Diekmann	**150**	150	**75**	75	**0**	0	**10**	0	**0**	45	**0**	45	**235**	315
Grit Genster (since May 1, 2020)	**147**	0	**0**	0	**12**	0	**0**	0	**0**	0	**0**	0	**159**	0
Dr. Dieter Schenk	**0**	0	**225**	225	**0**	0	**10**	10	**0**	0	**0**	90	**235**	325
Niko Stumpfögger (up to April 30, 2020)	**74**	225	**0**	0	**7**	20	**0**	0	**0**	90	**0**	0	**81**	335
Prof. Dr. med. D. Michael Albrecht	**150**	150	**0**	0	**0**	0	**0**	0	**0**	90	**0**	0	**150**	240
Stefanie Balling	**150**	150	**0**	0	**0**	0	**0**	0	**0**	90	**0**	0	**150**	240
Bernd Behlert	**150**	150	**0**	0	**0**	0	**0**	0	**0**	90	**0**	0	**150**	240
Dr. Kurt Bock (up to June 30, 2020)	**0**	0	**75**	150	**0**	0	**0**	0	**0**	0	**0**	90	**75**	240
Dr. Heinrich Hiesinger (since July 1, 2020)	**0**	0	**75**	0	**0**	0	**0**	0	**0**	0	**0**	0	**75**	0
Wolfgang Kirsch (since January 1, 2020)	**0**	0	**150**	0	**0**	0	**0**	0	**0**	0	**0**	0	**150**	0
Konrad Kölbl	**150**	150	**0**	0	**20**	20	**0**	0	**0**	90	**0**	0	**170**	260
Frauke Lehmann	**150**	150	**0**	0	**0**	0	**0**	0	**0**	90	**0**	0	**150**	240
Prof. Dr. med. Iris Löw-Friedrich	**150**	150	**0**	0	**0**	0	**0**	0	**0**	90	**0**	0	**150**	240
Klaus-Peter Müller	**75**	75	**75**	75	**40**	40	**0**	0	**0**	45	**0**	45	**190**	280
Oscar Romero De Paco	**150**	150	**0**	0	**0**	0	**0**	0	**0**	90	**0**	0	**150**	240
Dr. Karl Schneider (up to December 31, 2019)	**0**	0	**0**	150	**0**	0	**0**	10	**0**	0	**0**	90	**0**	250
Hauke Stars	**150**	150	**0**	0	**20**	20	**0**	0	**0**	90	**0**	0	**170**	260
Total	**1,871**	1,875	**900**	900	**119**	120	**40**	40	**0**	945	**0**	405	**2,930**	4,285

ADJUSTMENT OF THE COMPENSATION OF MEMBERS OF THE SUPERVISORY BOARD

The compensation of the members of the Supervisory Board shall be adjusted in line with the recommendations of the German Corporate Governance Code as amended on December 16, 2019. The compensation of the Supervisory Board shall be changed to purely fixed compensation and no longer include any variable compensation components. It is intended to present the adjusted compensation system to the Annual General Meeting in 2021.

DIRECTORS' & OFFICERS' INSURANCE

Fresenius SE & Co. KGaA has taken out a consequential loss liability insurance policy (D & O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of the general partner of Fresenius SE & Co. KGaA and for the Supervisory Board of Fresenius SE & Co. KGaA, as well as for all representative bodies of affiliates in Germany and elsewhere. The insurance policy stipulates a deductible for the Management Board in line with the requirements of stock corporation law. The D & O policy applies throughout the world and runs until the end of June 2021. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid that are covered by the policy.

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FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF INCOME

€ in millions	Note	2020	2019
Sales	4	**36,277**	35,409
Cost of sales		**-25,961**	-25,061
Gross profit		**10,316**	10,348
Selling expenses		**-1,057**	-1,020
General and administrative expenses	8	**-4,373**	-4,386
Other operating income	9	**367**	431
Other operating expenses	9	**-148**	-126
Gain related to divestitures of Care Coordination activities	3	**31**	29
Research and development expenses	7	**-751**	-645
Operating income (EBIT)		**4,385**	4,631
Interest income	10	**93**	162
Interest expenses	10	**-752**	-881
Income before income taxes		**3,726**	3,912
Income taxes	11	**-903**	-883
Net income		**2,823**	3,029
Noncontrolling interests	12	**1,116**	1,146
Net income attributable to shareholders of Fresenius SE & Co. KGaA		**1,707**	1,883
Earnings per share in €	14	**3.06**	3.38
Fully diluted earnings per share in €	14	**3.06**	3.38

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Note	2020	2019
Net income		**2,823**	3,029
Other comprehensive income (loss)			
Positions which will be reclassified into net income in subsequent years			
Foreign currency translation	29, 32	**-2,075**	398
Cash flow hedges	29, 32	**5**	-13
FVOCI debt instruments		**30**	0
Income taxes on positions which will be reclassified	29	**-11**	4
Positions which will not be reclassified into net income in subsequent years			
Actuarial gains/losses on defined benefit pension plans	26, 29	**28**	-222
Equity method investees - share of OCI		**58**	0
FVOCI equity investments	32	**4**	9
Income taxes on positions which will not be reclassified	29	**-8**	55
Other comprehensive income (loss), net		**-1,969**	231
Total comprehensive income		**854**	3,260
Comprehensive income attributable to noncontrolling interests		**92**	1,237
Comprehensive income attributable to shareholders of Fresenius SE & Co. KGaA		**762**	2,023

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

as of December 31, € in millions	Note	2020	2019
Cash and cash equivalents	15	1,837	1,654
Trade accounts and other receivables, less allowances for expected credit losses	16	6,937	7,176
Accounts receivable from and loans to related parties		110	100
Inventories	17	3,945	3,633
Other current assets	18	2,943	2,701
I. Total current assets		**15,772**	15,264
Property, plant and equipment	19	11,912	11,307
Right-of-use assets	31	5,691	5,959
Goodwill	20	26,599	27,737
Other intangible assets	20	3,736	3,869
Other non-current assets	18	2,124	2,031
Deferred taxes	11	812	839
II. Total non-current assets		**50,874**	51,742
Total assets		**66,646**	67,006

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, € in millions	Note	2020	2019
Trade accounts payable		1,816	1,905
Short-term accounts payable to related parties		67	46
Short-term provisions and other short-term liabilities	21, 22	7,433	6,245
Short-term debt	23	245	2,475
Short-term debt from related parties		5	3
Current portion of long-term debt	23	1,132	892
Current portion of long-term lease liabilities	31	766	793
Current portion of bonds	24	1,522	945
Current portion of convertible bonds	25	0	400
Short-term accruals for income taxes		230	232
A. Total short-term liabilities		**13,216**	13,936
Long-term debt, less current portion	23	4,022	6,117
Long-term lease liabilities, less current portion	31	5,422	5,646
Bonds, less current portion	24	12,325	9,522
Convertible bonds, less current portion	25	474	465
Long-term provisions and other long-term liabilities	21, 22	1,918	1,560
Pension liabilities	26	1,582	1,520
Long-term accruals for income taxes		274	242
Deferred taxes	11	1,390	1,418
B. Total long-term liabilities		**27,407**	26,490
I. Total liabilities		**40,623**	40,426
A. Noncontrolling interests	27	**9,074**	9,802
Subscribed capital	28	557	557
Capital reserve	28	3,992	3,989
Other reserves	28	13,535	12,422
Accumulated other comprehensive loss	29	-1,135	-190
B. Total Fresenius SE & Co. KGaA shareholders' equity		**16,949**	16,778
II. Total shareholders' equity		**26,023**	26,580
Total liabilities and shareholders' equity		**66,646**	67,006

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, € in millions	Note	2020	2019
Operating activities			
Net income		**2,823**	3,029
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	18, 19, 20, 31	**2,715**	2,452
Change in deferred taxes	11	**43**	71
Gain on sale of fixed assets and of investments and divestitures	2	**-60**	-107
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts and other receivables	16	**-26**	-612
Inventories	17	**-527**	-315
Other current and non-current assets	18	**-252**	-368
Accounts receivable from/payable to related parties		**13**	19
Trade accounts payable, provisions and other short-term and long-term liabilities	21, 22	**1,819**	67
Accruals for income taxes		**1**	27
Net cash provided by operating activities		**6,549**	4,263
Investing activities			
Purchases of property, plant and equipment and capitalized development costs	19	**-2,406**	-2,459
Proceeds from sales of property, plant and equipment		**40**	26
Acquisitions and investments and purchases of intangible assets	2, 34	**-720**	-2,484
Proceeds from sale of investments and divestitures	2	**75**	61
Net cash used in investing activities		**-3,011**	-4,856

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, € in millions	Note	2020	2019
Financing activities			
Proceeds from short-term debt	23	**282**	1,029
Repayments of short-term debt	23	**-2,529**	-936
Proceeds from long-term debt	23	**61**	2,016
Repayments of long-term debt	23	**-1,438**	-1,541
Repayments of lease liabilities	31	**-937**	-837
Proceeds from the issuance of bonds	24	**4,577**	3,174
Repayments of liabilities from bonds	24	**-937**	-1,767
Repayments of convertible bonds	25	**-400**	-500
Payments for the share buy-back program of Fresenius Medical Care	28	**-366**	-600
Payments for/proceeds from the accounts receivable facility of Fresenius Medical Care	23	**-374**	381
Proceeds from the exercise of stock options	36	**18**	49
Dividends paid		**-1,060**	-952
Change in noncontrolling interests, net	27	**-14**	–
Net cash used in financing activities		**-3,117**	-484
Effect of exchange rate changes on cash and cash equivalents		**-238**	22
Net increase/decrease in cash and cash equivalents		**183**	-1,055
Cash and cash equivalents at the beginning of the reporting period	15	**1,654**	2,709
Cash and cash equivalents at the end of the reporting period	15	**1,837**	1,654

ADDITIONAL INFORMATION ON PAYMENTS
THAT ARE INCLUDED IN NET CASH PROVIDED BY OPERATING ACTIVITIES

January 1 to December 31, € in millions	Note	2020	2019
Received interest		**66**	64
Paid interest		**-627**	-733
Income taxes paid		**-765**	-773

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Subscribed Capital			Reserves	
	Note	Number of ordinary shares in thousand	Amount € in thousands	Amount € in millions	Capital reserve € in millions	Other reserves € in millions
As of December 31, 2018		556,225	556,225	556	3,933	11,252
Adjustment due to the initial application of IFRS 16		0	0	0	0	-46
As of January 1, 2019, adjusted		556,225	556,225	556	3,933	11,206
Proceeds from the exercise of stock options	36	1,155	1,155	1	36	
Compensation expense related to stock options	36				20	
Dividends paid	28					-445
Purchase of noncontrolling interests	27					
Share buy-back program of Fresenius Medical Care AG & Co. KGaA						-190
Put option liabilities	22, 32					-32
Comprehensive income (loss)						
Net income						1,883
Other comprehensive income (loss)						
Cash flow hedges	29, 32					
Change of FVOCI equity investments						
Foreign currency translation	29, 32					
Actuarial losses on defined benefit pension plans	26, 29					
Fair value changes						
Comprehensive income (loss)						1,883
As of December 31, 2019		557,380	557,380	557	3,989	12,422
Proceeds from the exercise of stock options	36	161	161	–	9	
Compensation expense related to stock options	36				-6	
Dividends paid	28					-468
Purchase of noncontrolling interests	27					
Share buy-back program of Fresenius Medical Care AG & Co. KGaA	28					-118
Put option liabilities	22, 32					-8
Comprehensive income (loss)						
Net income						1,707
Other Comprehensive Income (Loss)						
Cash flow hedges	29, 32					
Change of FVOCI equity investments	29, 32					
Foreign currency translation	29, 32					
Actuarial gains on defined benefit pension plans	26, 29					
Fair value changes						
Comprehensive income (loss)						1,707
As of December 31, 2020		**557,541**	**557,541**	**557**	**3,992**	**13,535**

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Accumulated other comprehensive income (loss)							
	Foreign currency translation € in millions	Cash flow hedges € in millions	Pensions € in millions	Equity investments € in millions	Fair value changes € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interests € in millions	Total shareholders' equity € in millions
As of December 31, 2018	38	-61	-311	4	0	15,411	9,597	25,008
Adjustment due to the initial application of IFRS 16	0	0	0	0	0	-46	-98	-144
As of January 1, 2019, adjusted	38	-61	-311	4	0	15,365	9,499	24,864
Proceeds from the exercise of stock options						37	11	48
Compensation expense related to stock options						20	1	21
Dividends paid						-445	-507	-952
Purchase of noncontrolling interests						0	40	40
Share buy-back program of Fresenius Medical Care AG & Co. KGaA						-190	-410	-600
Put option liabilities						-32	-69	-101
Comprehensive income (loss)								
Net income						1,883	1,146	3,029
Other comprehensive income (loss)								
Cash flow hedges		-4				-4	-6	-10
Change of FVOCI equity investments				6		6	0	6
Foreign currency translation	256		-2			254	145	399
Actuarial losses on defined benefit pension plans			-116			-116	-48	-164
Fair value changes						0	0	0
Comprehensive income (loss)	256	-4	-118	6	0	2,023	1,237	3,260
As of December 31, 2019	294	-65	-429	10	0	16,778	9,802	26,580
Proceeds from the exercise of stock options						9	9	18
Compensation expense related to stock options						-6	–	-6
Dividends paid						-468	-592	-1,060
Purchase of noncontrolling interests						0	28	28
Share buy-back program of Fresenius Medical Care AG & Co. KGaA						-118	-248	-366
Put option liabilities						-8	-17	-25
Comprehensive income (loss)								
Net income						1,707	1,116	2,823
Other Comprehensive Income (Loss)								
Cash flow hedges		3				3	1	4
Change of FVOCI equity investments				-1		-1	4	3
Foreign currency translation	-998		5			-993	-1,087	-2,080
Actuarial gains on defined benefit pension plans			19			19	2	21
Fair value changes					27	27	56	83
Comprehensive income (loss)	-998	3	24	-1	27	762	92	854
As of December 31, 2020	**-704**	**-62**	**-405**	**9**	**27**	**16,949**	**9,074**	**26,023**

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED SEGMENT REPORTING

BY BUSINESS SEGMENT

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios			Fresenius Vamed			Corporate			Fresenius Group		
€ in millions	**2020** [1]	2019 [2]	Growth	**2020** [3]	2019 [4]	Growth	**2020**	2019	Growth	**2020**	2019	Growth	**2020** [5]	2019 [6]	Growth	**2020**	2019	Growth
Sales	**17,859**	17,477	2%	**6,976**	6,919	1%	**9,818**	9,234	6%	**2,068**	2,206	-6%	**-444**	-427	-4%	**36,277**	35,409	2%
thereof contribution to consolidated sales	**17,819**	17,434	2%	**6,916**	6,865	1%	**9,798**	9,217	6%	**1,742**	1,892	-8%	**2**	1	100%	**36,277**	35,409	2%
thereof intercompany sales	**40**	43	-7%	**60**	54	11%	**20**	17	18%	**326**	314	4%	**-446**	-428	-4%	**0**	0	
contribution to consolidated sales	**49%**	49%		**19%**	20%		**27%**	26%		**5%**	5%		**0%**	0%		**100%**	100%	
EBITDA	**4,090**	3,913	5%	**1,490**	1,573	-5%	**1,470**	1,439	2%	**113**	205	-45%	**-63**	-47	-34%	**7,100**	7,083	0%
Depreciation and amortization	**1,591**	1,557	2%	**395**	368	7%	**445**	414	7%	**84**	71	18%	**200**	42	--	**2,715**	2,452	11%
EBIT	**2,499**	2,356	6%	**1,095**	1,205	-9%	**1,025**	1,025	0%	**29**	134	-78%	**-263**	-89	-196%	**4,385**	4,631	-5%
Net interest	**-368**	-429	14%	**-82**	-83	1%	**-180**	-176	-2%	**-20**	-21	5%	**-9**	-10	10%	**-659**	-719	8%
Income taxes	**-501**	-452	-11%	**-239**	-276	13%	**-171**	-173	1%	**-4**	-28	86%	**12**	46	-74%	**-903**	-883	-2%
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**1,359**	1,236	10%	**730**	797	-8%	**666**	664	0%	**2**	83	-98%	**-1,050**	-897	-17%	**1,707**	1,883	-9%
Operating cash flow	**4,233**	2,567	65%	**1,143**	1,028	11%	**1,149**	733	57%	**78**	-17	--	**-54**	-48	-13%	**6,549**	4,263	54%
Cash flow before acquisitions and dividends	**3,197**	1,454	120%	**450**	312	44%	**609**	256	138%	**2**	-69	103%	**-75**	-123	39%	**4,183**	1,830	129%
Total assets	**31,689**	32,935	-4%	**13,591**	13,797	-1%	**19,241**	18,164	6%	**2,716**	2,721	0%	**-591**	-611	3%	**66,646**	67,006	-1%
Debt	**12,380**	13,782	-10%	**4,181**	4,375	-4%	**7,472**	7,457	0%	**686**	908	-24%	**1,194**	736	62%	**25,913**	27,258	-5%
Other operating liabilities	**6,192**	5,185	19%	**3,225**	3,207	1%	**2,585**	2,084	24%	**933**	1,034	-10%	**385**	240	60%	**13,320**	11,750	13%
Capital expenditure, gross	**1,052**	1,125	-6%	**687**	726	-5%	**541**	482	12%	**95**	56	70%	**23**	74	-69%	**2,398**	2,463	-3%
Acquisitions, gross/investments	**407**	2,297	-82%	**31**	86	-64%	**459**	211	118%	**6**	29	-79%	**-1**	0		**902**	2,623	-66%
Research and development expenses	**194**	168	15%	**553**	507	9%	**2**	2	0%	**0**	0		**2**	-32	106%	**751**	645	16%
Employees (per capita on balance sheet date)	**133,129**	128,300	4%	**40,519**	39,627	2%	**116,952**	106,377	10%	**19,414**	18,592	4%	**1,255**	1,238	1%	**311,269**	294,134	6%
Key figures																		
EBITDA margin	**22.9%**	22.4%		**21.4%**	22.7%		**15.0%**	15.6%		**5.5%**	9.3%					**19.7%** [3]	20.1% [8]	
EBIT margin	**14.0%**	13.5%		**15.7%**	17.4%		**10.4%**	11.1%		**1.4%**	6.1%					**12.7%** [7]	13.2% [8]	
Depreciation and amortization in % of sales	**8.9%**	8.9%		**5.7%**	5.3%		**4.5%**	4.5%		**4.1%**	3.2%					**7.5%**	6.9%	
Operating cash flow in % of sales	**23.7%**	14.7%		**16.4%**	14.9%		**11.7%**	7.9%		**3.8%**	-0.8%					**18.1%**	12.0%	
ROOA	**8.2%**	7.6%		**9.2%**	10.5%		**5.7%**	6.1%		**1.3%**	7.0%					**7.3%** [9]	7.6% [10]	

[1] Before impairment of goodwill at FMC Latin America
[2] Before transaction-related expenses, gain related to divestitures of Care Coordination activities and expenses associated with the cost optimization program
[3] Before revaluations of biosimilars contingent purchase price liabilities
[4] Before transaction-related expenses and revaluations of biosimilars contingent purchase price liabilities
[5] After revaluations of biosimilars contingent purchase price liabilities and impairment of goodwill at FMC Latin America
[6] After transaction-related expenses, revaluations of biosimilars contingent purchase price liabilities, gain related to divestitures of Care Coordination activities and expenses associated with the cost optimization program at FMC
[7] Before revaluations of biosimilars contingent purchase price liabilities and impairment of goodwill at FMC Latin America
[8] Before transaction-related expenses, revaluations of biosimilars contingent purchase price liabilities, gain related to divestitures of Care Coordination activities and expenses associated with the cost optimization program at FMC
[9] The underlying pro forma EBIT does not include revaluations of biosimilars contingent purchase price liabilities and impairment of goodwill at FMC Latin America.
[10] The underlying pro forma EBIT does not include transaction-related expenses, revaluations of biosimilars contingent purchase price liabilities, gain related to divestitures of Care Coordination activities and expenses associated with the cost optimization program at FMC.

The consolidated segment reporting by business segment is an integral part of the notes.

FRESENIUS SE & CO. KGAA
CONSOLIDATED SEGMENT REPORTING

BY REGION

€ in millions	Europe 2020	Europe 2019	Europe Growth	North America 2020	North America 2019	North America Growth	Asia-Pacific 2020	Asia-Pacific 2019	Asia-Pacific Growth
Sales	**15,813**	15,178	4%	**14,801**	14,543	2%	**3,705**	3,732	-1%
contribution to consolidated sales	**44%**	43%		**41%**	41%		**10%**	11%	
EBIT	**883**	1,143	-23%	**2,766**	2,583	7%	**758**	750	1%
Depreciation and amortization	**1,003**	939	7%	**1,235**	1,241	0%	**196**	185	6%
Total assets	**29,489**	29,451	0%	**29,771**	30,341	-2%	**5,018**	5,055	-1%
Capital expenditure, gross	**1,253**	1,183	6%	**861**	1,027	-16%	**190**	165	15%
Acquisitions, gross/investments	**199**	259	-23%	**262**	2,112	-88%	**28**	43	-35%
Employees (per capita on balance sheet date)	**174,835**	165,862	5%	**75,837**	74,894	1%	**27,805**	27,457	1%

€ in millions	Latin America 2020	Latin America 2019	Latin America Growth	Africa 2020	Africa 2019	Africa Growth	Fresenius Group 2020	Fresenius Group 2019	Fresenius Group Growth
Sales	**1,566**	1,545	1%	**392**	411	-5%	**36,277**	35,409	2%
contribution to consolidated sales	**4%**	4%		**1%**	1%		**100%**	100%	
EBIT	**-60**	104	-158%	**38**	51	-25%	**4,385**	4,631	-5%
Depreciation and amortization	**270**	74	--	**11**	13	-15%	**2,715**	2,452	11%
Total assets	**2,056**	1,868	10%	**312**	291	7%	**66,646**	67,006	-1%
Capital expenditure, gross	**86**	77	12%	**8**	11	-27%	**2,398**	2,463	-3%
Acquisitions, gross/investments	**413**	209	98%	**0**	–	--	**902**	2,623	-66%
Employees (per capita on balance sheet date)	**30,871**	23,998	29%	**1,921**	1,923	0%	**311,269**	294,134	6%

The consolidated segment reporting by region is an integral part of the notes.

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GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a global health care group with products and services for dialysis, hospitals and outpatient medical care. In addition, the Fresenius Group focuses on hospital operations and also manages projects and provides services for hospitals and other health care facilities worldwide. Besides the activities of the parent company Fresenius SE & Co. KGaA, Bad Homburg v. d. H., Germany, the operating activities are organized amongst the following legally independent business segments in the fiscal year 2020:

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

Fresenius Medical Care offers services and products for patients with chronic kidney failure. As of December 31, 2020, Fresenius Medical Care treated 346,553 patients at 4,092 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 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. The company comprises Helios Germany and Helios Spain (Quirónsalud). At the end of 2020, Helios Germany operated a total of 89 hospitals, around 131 outpatient clinics, and 6 prevention centers. In Spain, Quirónsalud operated 48 hospitals, 70 outpatient centers, and around 300 occupational risk prevention centers at the end of 2020. In addition, Quirónsalud is active in Latin America with 7 hospitals and as a provider of medical diagnostics.

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.

Fresenius SE & Co. KGaA owned 32.23% of the subscribed capital of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) at the end of the fiscal year 2020. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly owned subsidiary of Fresenius SE & Co. KGaA. Through this structure, Fresenius SE & Co. KGaA has rights that give Fresenius SE & Co. KGaA the ability to direct the relevant activities that significantly affect the earnings of FMC-AG & Co. KGaA. Therefore, FMC-AG & Co. KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group.

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, 2020. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and Helios Healthcare Spain S.L. (Quirónsalud) as well as a 77% stake in VAMED Aktiengesellschaft. In addition, Fresenius SE & Co. KGaA consolidates companies with corporate holding functions regarding real estate, financing and insurance, as well as in Fresenius Netcare GmbH which provides intercompany services in the field of information technology.

The reporting currency and functional currency of the Fresenius Group is the euro. In order to improve the clarity of presentation, amounts are generally presented in million euros. Amounts less than €1 million, after rounding, are marked with "–".

II. BASIS OF PRESENTATION

Fresenius SE & Co. KGaA, as a stock exchange listed company with a domicile in a member state of the European Union (EU), fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and applying Section 315e of the German Commercial Code (HGB). The consolidated financial statements of Fresenius SE & Co. KGaA at December 31, 2020 have been prepared and are published in accordance with the Standards and interpretations in effect on the reporting date, and endorsed in the EU, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC).

In order to improve the clarity of presentation, various items are aggregated in the consolidated statement of financial position and in the consolidated statement of income. These items are shown separately in the notes to provide useful information to the readers of the consolidated financial statements.

Moreover, the notes include information required by HGB according to Section 315e (1) HGB. The consolidated financial statements include a management report according to Section 315e HGB in conjunction with Section 315 HGB.

The consolidated statement of financial position contains all information required to be disclosed by International Accounting Standard (IAS) 1, Presentation of Financial Statements, and are in accordance with Accounting Interpretation 1 (AIC 1, Balance Sheet Classification according to current/non-current distinction in compliance with IAS 1) classified on the basis of the liquidity of assets and liabilities following the consolidated statement of financial position. The consolidated statement of income is classified using the cost-of-sales accounting format.

The general partner of Fresenius SE & Co. KGaA is Fresenius Management SE. Fresenius Management SE prepares its own consolidated financial statements. The Else Kröner-Fresenius-Stiftung is the sole shareholder of Fresenius Management SE. The shareholder representatives elect in the Annual General Meeting of Fresenius Management SE its Supervisory Board.

At February 22, 2021, the Management Board of Fresenius Management SE authorized the consolidated financial statements for issue and passed it to the Supervisory Board of Fresenius SE & Co. KGaA. The Supervisory Board has to review and approve the consolidated financial statements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements have been prepared using uniform accounting methods. Acquisitions of companies are accounted for applying the purchase method. Capital consolidation is performed at the date of acquisition. Initially, all identifiable assets and liabilities of subsidiaries as well as the noncontrolling interests are recognized at their fair values. The cost is then compared with the fair value of the net assets acquired. Any remaining debit balance between the investments in subsidiaries is recognized as goodwill and is tested at least once a year for impairment.

All intercompany sales, expenses, income, receivables and payables are eliminated. Profits and losses on items of property, plant and equipment and inventory acquired from other Group entities are also eliminated. Deferred tax assets and liabilities are recognized on temporary differences resulting from consolidation procedures.

Noncontrolling interests are the portion of equity of Group entities not attributable, directly or indirectly, to Fresenius SE & Co. KGaA and are recognized at fair value at the date of first consolidation. Profits and losses attributable to the noncontrolling interests are separately disclosed in the consolidated statement of income.

The Fresenius Group writes put options on noncontrolling interests, primarily in the segment Fresenius Medical Care for dialysis clinics in which nephrologists or nephrology groups own an equity interest. Generally, put options are valid for an unlimited time and provide for settlement in cash. As far as the Fresenius Group, as option writer of existing put options, can be obliged to purchase noncontrolling interests held by third parties, a put option liability is recorded in long-term provisions and other long-term liabilities as well as short-term provisions and other short-term liabilities at present value of the redemption amount at the date of the consolidated financial statements. The Fresenius Group, in line with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 10, applies the present access method. According to the present access method, noncontrolling interests are further recorded in equity. The initial recognition of the put option liability, as well as valuation differences, are recorded in equity with no impact to the consolidated statement of income.

b) Composition of the Group

Besides Fresenius SE & Co. KGaA, the consolidated financial statements include all material subsidiaries according to IFRS 10, over which Fresenius SE & Co. KGaA has control. Fresenius SE & Co. KGaA controls an entity if it has power over the entity. That is, Fresenius SE & Co. KGaA has existing rights that give Fresenius SE & Co. KGaA the current ability to direct the relevant activities, which are the activities that significantly affect the entity's return. In addition, Fresenius SE & Co. KGaA is exposed to, or has rights to, variable returns from the involvement with the entity and Fresenius SE & Co. KGaA has the ability to use its power over the entity to affect the amount of Fresenius SE & Co. KGaA's return.

Generally, entities in which Fresenius SE & Co. KGaA, directly or indirectly, holds more than 20% and less than 50% of the voting rights and can exercise a significant influence over their financial and operating policies are considered associates. While the investment in Vifor Fresenius Medical Care Renal Pharma Ltd. makes up a large portion of the equity method investees, there are no investments in equity method investees that are individually material to the Fresenius Group. Associates are accounted for using the equity method. Investments that are not classified as associated companies are recorded at fair value.

Fresenius Vamed participates in project entities which are established for long-term defined periods of time and for the specific purpose of constructing and operating thermal centers. These project entities are not controlled by Fresenius Vamed and therefore are not consolidated. The project entities generated approximately €85 million in sales in 2020 (2019: €129 million). The project entities finance themselves mainly through debt, profit participation rights and investment grants. Assets and liabilities relating to the project entities are not material. Fresenius Vamed made no payments to the project entities other than contractually stipulated. From today's perspective and due to the contractual situation, Fresenius Vamed is not exposed to any material risk of loss from these project entities.

The consolidated financial statements of 2020 included, in addition to Fresenius SE & Co. KGaA, 2,856 (2019: 2,747) consolidated companies and 71 (2019: 53) companies were accounted for under the equity method. In 2020, there were no material changes in the scope of consolidated entities, except for those mentioned in note 2, Acquisitions, divestitures and investments.

The complete list of the investments of Fresenius SE & Co. KGaA, registered office in 61352 Bad Homburg v. d. H., Else-Kröner-Straße 1, Germany, registered in the Commercial Register of the local court in Bad Homburg v. d. H. under B11852, will be submitted to the electronic Federal Gazette and the electronic companies register as well as published on the website of Fresenius SE & Co. KGaA (www.fresenius.com/financial-reports-and-presentations).

For the fiscal year 2020, the following consolidated German subsidiaries of the Fresenius Group will apply the exemption provided in Sections 264 (3) and 264b, respectively, of the German Commercial Code (HGB):

Name of the company	Registered office
Corporate	
Fresenius Biotech Beteiligungs GmbH	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG	Bad Homburg v. d. H.
Fresenius Netcare GmbH	Bad Homburg v. d. H.
Fresenius ProServe GmbH	Bad Homburg v. d. H.
FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG	Bad Homburg v. d. H.
ProServe Krankenhaus Beteiligungsgesellschaft mbH & Co. KG	München
Fresenius Kabi	
Fresenius HemoCare GmbH	Bad Homburg v. d. H.
Fresenius HemoCare Beteiligungs GmbH	Bad Homburg v. d. H.
Fresenius Kabi AG	Bad Homburg v. d. H.
Fresenius Kabi Deutschland GmbH	Bad Homburg v. d. H.
Fresenius Kabi Logistik GmbH	Friedberg
MC Medizintechnik GmbH	Alzenau
medi1one medical gmbh	Waiblingen

Name of the company	Registered office
Fresenius Helios	
Gesundheitsmanagement Elbe-Fläming GmbH	Burg
Helios Agnes-Karll Krankenhaus GmbH	Bad Schwartau
Helios Aukamm-Klinik Wiesbaden GmbH	Wiesbaden
Helios Bördeklinik GmbH	Oschersleben
Helios Fachklinik Schleswig GmbH	Schleswig
Helios Fachklinik Vogelsang-Gommern GmbH	Gommern
Helios Fachkliniken Hildburghausen GmbH	Hildburghausen
Helios Frankenwaldklinik Kronach GmbH	Kronach
Helios Hanseklinikum Stralsund GmbH	Stralsund
Helios Health GmbH	Berlin
Helios Klinik Blankenhain GmbH	Blankenhain
Helios Klinik Bleicherode GmbH	Bleicherode
Helios Klinik für Herzchirurgie Karlsruhe GmbH	Karlsruhe
Helios Klinik Herzberg/Osterode GmbH	Herzberg am Harz
Helios Klinik Jerichower Land GmbH	Burg
Helios Klinik Leezen GmbH	Leezen
Helios Klinik Leisnig GmbH	Leisnig
Helios Klinik Lengerich GmbH	Lengerich
Helios Klinik Köthen GmbH	Köthen (Anhalt)
Helios Klinik Rottweil GmbH	Rottweil
Helios Klinik Schkeuditz GmbH	Schkeuditz
Helios Klinik Schleswig GmbH	Schleswig
Helios Klinik Volkach GmbH	Volkach
Helios Klinik Wipperfürth GmbH	Wipperfürth
Helios Klinik Zerbst/Anhalt GmbH	Zerbst
Helios Kliniken GmbH	Berlin
Helios Kliniken Breisgau Hochschwarzwald GmbH	Müllheim

Name of the company	Registered office
Fresenius Helios	
Helios Kliniken Mansfeld-Südharz GmbH	Sangerhausen
Helios Kliniken Mittelweser GmbH	Nienburg/Weser
Helios Kliniken Taunus GmbH	Bad Schwalbach
Helios Klinikum Aue GmbH	Aue
Helios Klinikum Bad Saarow GmbH	Bad Saarow
Helios Klinikum Berlin-Buch GmbH	Berlin
Helios Klinikum Erfurt GmbH	Erfurt
Helios Klinikum Gifhorn GmbH	Gifhorn
Helios Klinikum Gotha GmbH	Gotha
Helios Klinikum Hildesheim GmbH	Hildesheim
Helios Klinikum Meiningen GmbH	Meiningen
Helios Klinikum Pirna GmbH	Pirna
Helios Klinikum Schwelm GmbH	Schwelm
Helios Klinikum Siegburg GmbH	Siegburg
Helios Klinikum Uelzen GmbH	Uelzen
Helios Klinikum Wuppertal GmbH	Wuppertal
Helios Park-Klinikum Leipzig GmbH	Leipzig
Helios Privatkliniken GmbH	Bad Homburg v. d. H.
Helios Reinigung GmbH	Berlin
Helios Spital Überlingen GmbH	Überlingen
Helios St. Elisabeth Klinik Oberhausen GmbH	Oberhausen
Helios St. Elisabeth-Krankenhaus Bad Kissingen	Bad Kissingen
Helios St. Josefs-Hospital GmbH	Bochum
Helios St. Marienberg Klinik Helmstedt GmbH	Helmstedt
Helios Versorgungszentren GmbH	Berlin
Helios Vogtland-Klinikum Plauen GmbH	Plauen
Helios Weißeritztal-Kliniken GmbH	Freital
Herzzentrum Leipzig GmbH	Leipzig
Kliniken Miltenberg-Erlenbach GmbH	Erlenbach
Medizinisches Versorgungszentrum am Helios Klinikum Bad Saarow GmbH	Bad Saarow
MVZ Campus Gifhorn GmbH	Gifhorn
Poliklinik am Helios Klinikum Buch GmbH	Berlin

c) Classifications

Comparative information for certain items have been reclassified to conform with current year's presentation.

In the business segment Fresenius Medical Care, in the consolidated statement of financial position, long-term provisions and other long-term liabilities in the amount of €52 million as of December 31, 2019 have been reclassified to short-term provisions and other short-term liabilities.

Furthermore, in the business segment Fresenius Medical Care, certain adjustments to the comparative year's presentation related to inventory classification, regarding the categorization of cash and cash equivalents and the presentation of put options have been made.

d) Hyperinflationary accounting

Fresenius Group's subsidiaries operating in Argentina and Lebanon apply IAS 29, Financial Reporting in Hyperinflationary Economies, due to inflation in those countries. For the fiscal year 2020, the application of IAS 29 resulted in an effect on net income attributable to shareholders of Fresenius SE & Co. KGaA of -€14 million (2019:-€12 million).

e) Revenue recognition policy

Revenue is recognized in accordance with IFRS 15, Revenue from Contracts with Customers.

Revenues from services and products are billed according to the usual contract arrangements with customers, patients and related third parties. For services performed for patients, the transaction price is estimated based on either Fresenius Group's standard rates, rates determined under reimbursement arrangements or by government regulations. These arrangements are generally with third party payors, such as U.S. Medicare, U.S. Medicaid, German health insurance funds or commercial insurers. Amounts billed are recorded net of contractually agreed upon discounts or rebates to reflect the estimated amounts to be received from these payors. Estimates are determined on the basis of historical experience.

If the collection of the billed amount or a portion of the billed amount for services performed for patients is considered to be uncertain at the time services are performed, the Fresenius Group concludes that the consideration is variable (implicit price concession) and records the difference between the billed amount and the amount estimated to be collectible as a reduction to health care services revenue. Implicit price concessions include such items as amounts due from patients without adequate insurance coverage and patient co-payment and deductible amounts due from patients with health care coverage. The Fresenius Group determines implicit price concessions primarily upon past collection history.

Revenue from services is recognized on the date the service is performed. At this point of time, the payor is obliged to pay for the services performed.

Revenue from product sales is recognized when the customer obtains control of the product, either after possession is transferred or upon installation and provision of the necessary technical instructions or at another point in time that better defines transfer of control.

A portion of revenues is generated from contracts which on the one hand give the customer the right to use dialysis machines and on the other hand provide the customer with disposables and services. In this case, the transaction price is allocated in accordance with IFRS 15, and revenue is recognized separately for the lease and the non-lease components of the contract in accordance with IFRS 16 and IFRS 15, respectively.

Fresenius Vamed has performance obligations from long-term production contracts that are satisfied over time. Revenue is recognized according to progress towards completion. This progress towards completion of the performance obligation is measured based on the costs incurred in relation to expected total costs of fulfilling the contract, contractually defined milestones or performance completed to date whichever better reflects the progress towards completion of the performance obligation.

IFRS 15 does not apply to lease and insurance contracts. Revenue from leasing components and insurance contracts is determined according to IFRS 16 and IFRS 4, respectively.

Revenues are reported net of sales tax.

f) Government grants

The Fresenius Group primarily receives governmental funding for hospitals in Germany to finance buildings and medical equipment. Public sector grants are not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. Initially, the grant related to assets is recorded as a liability and as soon as the asset is acquired, the grant is offset against the acquisition costs. Grants related to income are recognized in other operating income in the period in which the related costs are incurred.

g) Research and development expenses

Research is the independent and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial implementation of research results and occurs before the start of the commercial production or use. The research and development phase of pharmaceutical products normally ends with the regulatory approval by the relevant authorities on the market of the particular country. Generally, a new pharmaceutical product is primarily approved in an established market, such as Europe, the United States, China and Japan.

Research expenses are expensed as incurred. Development expenses that meet the criteria for the recognition of an intangible asset are capitalized (see note 1. III. n., Intangible assets with finite useful lives).

h) Impairment

The Fresenius Group reviews the carrying amounts of its property, plant and equipment, intangible assets and right-of-use assets as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount might be higher than the asset's recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use. The net realizable value of an asset is defined as its fair value less costs to sell. The value in use is the present value of future cash flows expected to be derived from the relevant asset. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of corresponding cash generating units.

Impairment losses, except impairment losses recognized on goodwill, are reversed if there are indications that the reasons for impairment no longer exist and there has been a change in the estimates used to determine the asset's recoverable amount. This reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized before.

Assets held for sale are reported at the lower of their carrying amount and fair value less costs to sell and depreciation is ceased.

i) Capitalized interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if it is directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2020 and 2019, interest of €12 million, respectively, based on an average interest rate of 2.57% and 3.08%, respectively, was recognized as a component of the cost of assets.

j) Income taxes

Current taxes are calculated based on the earnings of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account.

Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on certain consolidation adjustments which affect net income attributable to shareholders of Fresenius SE & Co. KGaA. Deferred tax assets also include claims for tax reductions which arise from the probable expected use of existing tax losses carryforwards. The recognition of deferred tax assets from net operating losses and their utilization is based on the budget planning of the Fresenius Group and implemented tax strategies.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. A change in tax rate for the calculation of deferred tax assets and liabilities is recognized in the period the new laws are enacted or substantively enacted. The effects of the adjustment are generally recognized in the income statement. The effects of the adjustment are recognized in equity, if the temporary differences are related to items directly recognized in equity.

The realizability of the carrying amount of a deferred tax asset is reviewed at each date of the statement of financial position. In assessing the realizability of deferred tax assets, the Management considers to which extent it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carryforwards become deductible. The Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

Deferred tax assets are recognized to the extent it is probable that sufficient taxable income will be available for the utilization of parts or of the entire deferred tax asset.

The Fresenius Group recognizes assets and liabilities for uncertain tax treatments to the extent it is probable the tax will be recovered or that the tax will be payable, respectively. In North America and Germany, interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37. All other jurisdictions account for interest and penalties related to income taxes in accordance with local tax rules of the respective tax jurisdiction either under IAS 37 or as income tax expense under IAS 12.

The Fresenius Group is subject to ongoing and future tax audits in the United States, Germany and other jurisdictions. Different interpretations of tax laws may lead to potential additional tax payments or tax refunds for prior years. When assessing income tax accruals or income tax receivables of uncertain tax assessments, Management's estimates are based on local tax rules of the respective tax jurisdiction and the interpretation of such rules. Estimates and assumptions are adjusted in the period in which there is sufficient evidence which justify the change in estimate.

k) Earnings per share

Basic earnings per share are computed by dividing net income attributable to shareholders of Fresenius SE & Co. KGaA by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares that would have been outstanding during the fiscal year. The equity-settled awards granted under Fresenius' and Fresenius Medical Care's stock option plans can result in a dilutive effect.

l) Inventories

Inventories are comprised of all assets which are held for sale in the ordinary course of business (finished goods), in the process of production for such sale (work in process) or consumed in the production process or in the rendering of services (raw materials and purchased components).

Inventories are measured at the lower of acquisition and manufacturing cost (determined by using the average or first-in, first-out method) or net realizable value. Manufacturing costs are comprised of direct costs, production and material overhead, including depreciation charges.

m) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Repairs and maintenance costs are recognized in profit and loss as incurred. The costs for the replacement of components or the general overhaul of property, plant and equipment are recognized, if it is probable that future economic benefits will flow to the Fresenius Group and these costs can be measured reliably. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years for buildings and improvements (with a weighted-average life of 16 years) and 2 to 15 years for machinery and equipment (with a weighted-average life of 11 years).

n) Intangible assets with finite useful lives

Intangible assets with finite useful lives, such as patents, product and distribution rights, customer relationships, non-compete agreements, technology as well as licenses to manufacture, distribute and sell pharmaceutical drugs are recognized and reported apart from goodwill and are amortized using the straight-line method over their respective useful lives to their residual values and reviewed for impairment (see note 1. III. h, Impairment). Patient relationships however are not reported as separate intangible assets due to the missing contractual basis but are part of goodwill. The useful lives of patents, product and distribution rights range from 5 to 20 years, the average useful life is 13 years. The useful lives of customer relationships vary from 10 to 30 years, the average useful life is 18 years. Non-compete agreements with finite useful lives have useful lives ranging from 3 to 25 years with an average useful life of 8 years. Technology is amortized over a finite useful live of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs are amortized over the contractual license period. All other intangible assets are amortized over their individual estimated useful lives between 3 and 15 years.

Losses in value of a lasting nature are recorded as an impairment and are reversed if there are indications that the reasons for impairment no longer exist and there has been a change in the estimates used to determine the asset's recoverable amount. This reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized before.

Development costs are capitalized as manufacturing costs when the recognition criteria are met.

For development costs of dialysis machines manufactured by Fresenius Medical Care, the timing of the recognition as assets is based on the technical utilizability of the machines. The useful lives of capitalized development costs vary from 5 to 20 years, the average useful life is 8 years.

Fresenius Kabi capitalizes development costs as soon as the registration of a new product is very likely. This mainly applies if a product is already approved on an established market. Costs are amortized on a straight-line basis over the expected useful lives. In 2020, reversals of write-downs were recorded for in-process R&D of product approval projects, which were acquired through the acquisition of Fresenius Kabi USA, Inc. (see note 7, Research and development expenses).

o) Goodwill and other intangible assets with indefinite useful lives

The Fresenius Group identified intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Group. The identified intangible assets with indefinite useful lives such as tradenames acquired in a purchase method business combination are recognized and reported apart from goodwill. They are recorded at fair value at acquisition.

Any excess of the net fair value of identifiable assets and liabilities over cost still existing after reassessing the purchase price allocation subsequent to its finalization is recognized immediately in the consolidated statement of income.

Goodwill and intangible assets with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment (impairment test).

To perform the annual impairment test of goodwill, the Fresenius Group identified several cash generating units (CGUs) and determined the carrying amount of each CGU by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUs. A CGU is usually defined one level below the segment level based on regions or the nature of the business activity. Four CGUs were identified in the segments Fresenius Medical Care and Fresenius Kabi, respectively (Europe (Fresenius Medical Care: EMEA), Latin America, Asia-Pacific and North America). According to the regional organizational structure, the segment Fresenius Helios consists of two CGUs, Germany and Spain. The segment Fresenius Vamed consists of two CGUs (Project business and Service business). At least once a year, the Fresenius Group compares the value in use of each CGU to the CGU's carrying amount. The recoverable amount as its value in use of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount and the fair value less cost of disposal is not estimated to be higher than the value in use, the difference is at recorded as an impairment of the carrying amount of the CGU goodwill.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Fresenius Group compares the recoverable amounts of these intangible assets with their carrying amounts. An intangible asset's recoverable amount is determined using a discounted cash flow approach or other methods, if appropriate.

The recoverability of goodwill and other intangible assets with indefinite useful lives recorded in the Group's consolidated statement of financial position was verified except for the impairment of goodwill and tradenames of the CGU Fresenius Medical Care Latin America of €195 million. As a result, the Fresenius Group did not record any further impairment losses in 2020. In 2019, no impairment losses were recorded.

p) Leases

A lease is defined as a contract that conveys the right to use an underlying asset for a period of time in exchange for consideration.

The Fresenius Group decided not to apply the guidance within IFRS 16 to leases with a total maximum term of twelve months (short-term leases) and leases for underlying assets of low-value. These leases are exempt from balance sheet recognition and lease payments will be recognized as expenses over the lease term.

IFRS 16 is not applied to leases of intangible assets.

Lease liabilities
Lease liabilities are recognized at the present value of the following payments:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments, that are linked to an index or interest rate,
- expected payments under residual value guarantees,
- the exercise price of purchase options, where exercise is reasonably certain,
- lease payments in optional renewal periods, where exercise of extension options is reasonably certain, and
- penalty payments for the termination of a lease, if the lease term reflects the exercise of the respective termination option.

Lease payments are discounted using the implicit interest rate underlying the lease if this rate can be readily determined. Otherwise, the incremental borrowing rate of the lessee is used as the discount rate.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. Furthermore, lease liabilities may be remeasured due to lease modifications or reassessments of the lease.

For lease contracts that include both lease and non-lease components that are not separable from lease components, no allocation is performed. Each lease component and any associated non-lease components are accounted for as a single lease.

Right-of-use assets
Right-of-use asset are stated at cost, which comprises of:

- lease liability amount,
- initial direct costs incurred when entering into the lease,
- (lease) payments before commencement date of the respective lease, and
- an estimate of costs to dismantle and remove the underlying asset,
- less any lease incentives received.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. Where a lease agreement includes a transfer of ownership at the end of the lease term or the exercise of a purchase option is deemed reasonably certain, right-of-use assets are depreciated over the useful life of the underlying asset using the straight-line method. In addition, right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements.

Right-of-use assets from lease contracts are classified in accordance with the Fresenius Group's classification of property plant and equipment:

- Right-of-use assets: land
- Right-of-use assets: buildings and improvements
- Right-of-use assets: machinery and equipment

In addition to the right-of-use asset categories above, advanced payments on right-of-use assets are presented separately. Right-of-use assets from lease contracts and lease liabilities are presented separately from property, plant and equipment and other financial debt in the consolidated statement of financial position.

q) Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases and sales of financial assets are accounted for on the trading day. Furthermore, the Fresenius Group does not make use of the fair value option, which allows financial liabilities to be classified at fair value through profit or loss upon initial recognition. The Fresenius Group elects to represent changes in the fair value of selected equity investments that are not held for trading in other comprehensive income (loss).

Financial instruments are allocated to categories following the analysis of the business model and cash flow characteristics as required by IFRS 9, Financial Instruments. The following categories are relevant for the Fresenius Group: financial assets and liabilities measured at amortized cost, financial assets and liabilities measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive income (loss). The reconciliation of the categories to the positions in the consolidated statement of financial position is shown in tabular form in note 32, Financial instruments.

Cash and cash equivalents
Cash and cash equivalents comprise cash funds and all short-term investments with maturities of up to three months. Short-term investments are highly liquid and readily convertible into known amounts of cash. The risk of changes in value is insignificant.

Trade accounts and other receivables
Trade accounts and other receivables are stated at their nominal value less lifetime expected credit losses.

Impairments
According to IFRS 9, impairments are recognized on the basis of expected credit losses (expected credit loss model). The Fresenius Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, contract assets and lease receivables as well as for investments in debt instruments measured at fair value through other comprehensive income.

The Fresenius Group recognizes loss allowances for expected credit losses (allowance for doubtful accounts) mainly for trade accounts receivable and cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective instrument.

For trade accounts receivable, the Fresenius Group uses the simplified method which requires recognizing lifetime expected credit losses.

Expected credit losses on cash and cash equivalents are measured according to the expected credit loss model. Due to the short maturity term of the financial instruments, this corresponds with the lifetime expected loss. A significant increase in credit risk is calculated on the basis of available quantitative and qualitative information. Based on external credit ratings of the counterparties, the Fresenius Group considers that its cash and cash equivalents have a low credit risk.

The Fresenius Group does not expect any material credit losses from financial instruments that are measured according to the general approach.

The allowances are estimates comprised of customer and financial asset specific evaluations regarding payment history, current financial stability, and applicable future economic conditions.

Financial assets whose expected credit loss is not assessed individually are allocated to geographical regions. The impairment is generally assessed on the basis of regional macroeconomic indicators such as credit default swaps or scoring models.

In case of objective evidence of a detrimental impact on the estimated future cash flows of a financial asset, the asset is considered to be credit impaired. This is generally the case after more than 360 days overdue, at the latest. When a counterpart defaults, all financial assets against this counterpart are considered impaired. The definition of default is mainly based on payment practices specific to individual regions and businesses.

Put option liabilities
The Fresenius Group, as option writer of existing put options, can be obligated to purchase noncontrolling interests held by third parties. Put option liabilities are recognized at the present value of the exercise price of the option, to the extent the terms triggering exercise are considered genuine. If these put options were exercised, the Fresenius Group would be required to purchase all or part of the third-party owners' noncontrolling interests at the appraised fair value at the time of exercise.

The methodology the Fresenius Group uses to estimate the fair values of the put option liabilities assumes the greater of net book value or a multiple of earnings, based on historical earnings, the development stage of the underlying business and other factors. From time to time the Fresenius Group engages external valuation firms for the valuation of the put options. The external valuation estimates the fair values using a combination of discounted cash flows and a multiple of earnings and/or revenue. When applicable, the obligations are discounted at a pre-tax discount rate which reflects the interest effects and current market assessments of the time value of money and the specific risk of the liability. The estimated fair values of the put options can also fluctuate and the discounted cash flows as well as the implicit multiple of earnings and/or revenue at which these obligations may ultimately be settled could vary significantly from Fresenius Group's current estimates depending on market conditions.

Derivative financial instruments
Derivative financial instruments, which primarily include foreign currency forward contracts and interest rate swaps, are recognized at fair value as assets or liabilities in the consolidated statement of financial position. The effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity until the secured underlying transaction is realized (see note 32, Financial instruments). The ineffective portion of cash flow hedges is recognized according to the spot rate method in current earnings. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized periodically in earnings.

Derivatives embedded in host contracts with a financial liability as host contract are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

r) Liabilities

At the date of the statement of financial position, liabilities are generally stated at amortized cost, with the exception of contingent considerations resulting from a business combination, put option liabilities as well as derivative financial liabilities.

s) Legal contingencies

In the ordinary course of Fresenius Group's operations, the Fresenius Group is party to litigation and arbitration and is subject to investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Fresenius Group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the Fresenius Group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

t) Provisions

Accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future and the amount can be reliably estimated.

Provisions for warranties and complaints are estimated based on historical experience.

Tax accruals include obligations for the current year and for prior years.

Non-current provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation.

u) Pension liabilities and similar obligations

Pension obligations for post-employment benefits are measured in accordance with IAS 19 (revised 2011), Employee Benefits, using the projected unit credit method, taking into account future salary and trends for pension increase.

The Fresenius Group uses December 31 as the measurement date when measuring the deficit or surplus of all plans.

Net interest costs are calculated by multiplying the pension liability at the beginning of the year with the discount rate utilized in determining the benefit obligation. The pension liability results from the benefit obligation less the fair value of plan assets.

Remeasurements include actuarial gains and losses resulting from the evaluation of the defined benefit obligation as well as from the difference between actual return on plan assets and the expected return on plan assets at the beginning of the year used to calculate the net interest costs. In the event of a surplus for a defined benefit pension plan, remeasurements can also contain the effect from Asset Ceiling, as far as this effect is not included in net interest costs.

Remeasurements are recognized in accumulated other comprehensive income (loss) completely. It is not allowed to reclassify the remeasurements in subsequent periods. Components of net periodic benefit cost are recognized in profit and loss of the period.

v) Debt issuance costs

Debt issuance costs related to a recognized debt liability are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability. These costs are amortized over the term of the related obligation.

w) Share-based compensation plans

The Fresenius Group measures its share-based compensation plans in accordance with IFRS 2, Share-based Payments.

The total cost of stock options granted to members of the Management Board and executive employees of the Fresenius Group at the grant date were measured using an option pricing model and are recognized as expense over the vesting period of the stock option plans.

The measurement date fair value of cash-settled phantom stocks granted to members of the Management Board and executive employees of the Fresenius Group (except for Fresenius Medical Care) and of cash-settled performance shares granted to members of the Management Board and executive employees of the Fresenius Group is calculated using the Monte Carlo simulation. The corresponding liability based on the measurement date fair value is accrued over the vesting period of the phantom stock and performance share plans.

The measurement date fair value of cash-settled phantom stocks granted to members of the Management Board and executive employees of Fresenius Medical Care is calculated using a binomial model. The corresponding liability based on the measurement date fair value is accrued over the vesting period of the phantom stock plans.

x) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability, worker's compensation claims and medical malpractice claims, the largest subsidiary of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA), located in the United States, is partially self-insured for professional liability claims. For all other coverage, FMC-AG & Co. KGaA assumes responsibility for incurred claims up to predetermined amounts, above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

y) Foreign currency translation

The reporting and functional currency is the euro. Substantially all assets and liabilities of the foreign subsidiaries that use a functional currency other than the euro are translated at year-end exchange rates, while income and expense are translated at annual average exchange rates of the fiscal year. Adjustments due to foreign currency translation fluctuations are excluded from net earnings and are reported in accumulated other comprehensive income (loss). In addition, the translation adjustments of certain intercompany borrowings, which are of a long-term nature, are also reported in accumulated other comprehensive income (loss).

Gains and losses arising from the translation of foreign currency positions as well as those arising from the elimination of foreign currency intercompany loans are recorded as other operating income or expenses, as far as they are not considered foreign equity instruments. In the fiscal year 2020, only immaterial losses resulted out of this translation.

The exchange rates of the main currencies affecting foreign currency translation developed as follows:

	Year-end exchange rate		Average exchange rate	
	December 31, 2020	December 31, 2019	**2020**	2019
U.S. dollar per €	**1.227**	1.123	**1.142**	1.119
Chinese renminbi per €	**8.023**	7.821	**7.875**	7.735
Argentinean peso per €	**102.900**	67.212	**81.042**	53.948
Australian dollar per €	**1.590**	1.600	**1.655**	1.611
Brazilian real per €	**6.374**	4.516	**5.894**	4.413
Japanese yen per €	**126.490**	121.940	**121.846**	122.006
Korean won per €	**1,336.000**	1,296.280	**1,345.577**	1,305.317
Pound sterling per €	**0.899**	0.851	**0.890**	0.878
Russian ruble per €	**91.467**	69.956	**82.725**	72.455
Swedish krona per €	**10.034**	10.447	**10.485**	10.589

z) Fair value hierarchy

The three-tier fair value hierarchy as defined in IFRS 13, Fair Value Measurement, classifies financial assets and liabilities recognized at fair value based on the inputs used in estimating the fair value. Level 1 is defined as observable inputs, such as quoted prices in active markets. Level 2 is in application of recognized financial mathematical models defined as inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as unobservable inputs for which little or no market data exists, therefore requiring the company to develop its own assumptions. The three-tier fair value hierarchy is used in note 32, Financial instruments.

aa) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Estimates and judgmental assumptions are required in particular for the positions trade accounts receivable, deferred tax assets and pension liabilities as well as put option liabilities, contingent payments outstanding for acquisitions, equity investments and when examining the recoverability of goodwill.

bb) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 16% of Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2020 and 2019, respectively.

cc) Recent pronouncements, applied

The Fresenius Group has prepared its consolidated financial statements at and for the year ended December 31, 2020 in conformity with IFRS, as adopted by the EU, that have to be applied for fiscal years beginning on January 1, 2020.

For the year ended December 31, 2020, there were no recently implemented accounting pronouncements that had a material effect on the Fresenius Group's consolidated financial statements.

dd) Recent pronouncements, not yet applied

The International Accounting Standards Board (IASB) issued the following new standards relevant for the Fresenius Group and mandatory for fiscal years commencing on or after January 1, 2021:

IAS 1

In January 2020, the IASB issued **Amendments to IAS 1, Classification of Liabilities as Current and Non-current**. The amendments clarify under which circumstances debt and other liabilities with an uncertain settlement date should be classified as current or non-current. Among others, the amendments state that liabilities shall be classified depending on rights that exist at the end of the reporting period and define under which conditions liabilities might be settled by cash, other economic resources or equity. On July 15, 2020, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments. The amendments to IAS 1 are now effective for fiscal years beginning on or after January 1, 2023. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact of the amendments to IAS 1 on the consolidated financial statements.

IFRS 17

In May 2017, the IASB issued **IFRS 17, Insurance Contracts.** IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure related to the issuance of insurance contracts. IFRS 17 replaces IFRS 4, Insurance Contracts, which was brought in as an interim standard in 2004. IFRS 4 permitted the use of national accounting standards for the accounting of insurance contracts under IFRS. As a result of the varied application for insurance contracts, there was a lack of comparability among peer groups. IFRS 17 eliminates this diversity in practice by requiring all insurance contracts to be accounted for using current values. The frequent updates to the insurance values are expected to provide more useful information to users of financial statements. On June 25, 2020, the IASB issued amendments to IFRS 17, which among others, defer the effective date to fiscal years beginning on or after January 1, 2023. Earlier adoption is permitted for entities that have also adopted IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. The Fresenius Group is currently evaluating the impact of IFRS 17 on the consolidated financial statements.

The EU Commission’s endorsement of IFRS 17 and of the amendments to IAS 1 are still outstanding.

In the Fresenius Group’s view, there are no other IFRS standards or interpretations not yet effective that would be expected to have a material impact on the consolidated financial statements.

IV. CRITICAL ACCOUNTING POLICIES

In the opinion of the Management of the Fresenius Group, the following accounting policies and topics are critical for the consolidated financial statements in the present economic environment. The influences and judgments as well as the uncertainties which affect them are also important factors to be considered when looking at present and future operating earnings of the Fresenius Group.

a) Recoverability of goodwill and intangible assets with indefinite useful lives

The amount of goodwill and other non-amortizable intangible assets with indefinite useful lives represents a considerable part of the total assets of the Fresenius Group. At December 31, 2020 and December 31, 2019, the carrying amount of these was €26,825 million and €27,983 million, respectively. This represented 40% and 42%, respectively, of total assets.

An impairment test of goodwill and non-amortizable intangible assets with indefinite useful lives is performed at least once a year, or if events occur or circumstances change that would indicate the carrying amount may not be recoverable.

To determine possible impairments of these assets, the recoverable amount as its value in use of the cash generating units (CGUs) is compared to their carrying amount and the fair value less cost of disposal. The value in use of each

CGU is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that CGU. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every CGU its approved three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years. Projections for up to 10 years are possible due to historical experience and the stability of Fresenius Group's business, which is largely independent from the economic cycle. Except for the CGUs in Asia-Pacific, the CGUs' average revenue growth for the 10-year planning period is between 3% and 7%. In Asia-Pacific, the average growth is in the mid-single-digit range for Fresenius Medical Care and in the low double-digit range for Fresenius Kabi. A significant part of goodwill is assigned to the CGUs of Fresenius Medical Care and Fresenius Kabi in North America (carrying amounts of goodwill as of December 31, 2020: €10,909 million and €3,918 million, respectively) as well as the CGUs of Fresenius Helios in Germany and Spain (carrying amounts of goodwill as of December 31, 2020: €4,576 million and €3,702 million, respectively). A significant part of the operating income is also achieved in these CGUs. For the 10-year planning period, the average growth of the operating income is in the low to mid single-digit range for these CGUs. For the period after 10 years, the growth rates are 1% to 4% for Fresenius Medical Care, 3% for Fresenius Kabi, 1% for Fresenius Helios (Germany), 1.5% for Fresenius Helios (Spain) and 1% for Fresenius Vamed. The growth rates of the main CGUs of Fresenius Medical Care and Fresenius Kabi in North America were 1% and 3%, respectively. The discount factor is determined by the WACC of the respective CGU. Fresenius Medical Care's WACC consisted of a basic rate of 5.08% and the WACC in the business segment Fresenius Kabi consisted of a basic rate of 5.40% for 2020, respectively. This basic rate is then adjusted by a country-specific risk premium and, if appropriate, by a factor to reflect higher risks associated with the cash flows from recent material acquisitions, until they are appropriately integrated, within each CGU. In 2020, WACCs (after tax) for the CGUs of Fresenius Medical Care ranged from 5.08% to 20.13% and WACCs (after tax) for the CGUs of Fresenius Kabi ranged from 5.98% to 8.39%. In the CGU Fresenius Helios (Germany) and the business segment Fresenius Vamed, the WACC (after tax) was 5.40%, country-specific adjustments did not occur. In the CGU Fresenius Helios (Spain), the WACC (after tax) was 6.67%. The WACCs (after tax) of the main CGUs of Fresenius Medical Care and Fresenius Kabi in North America were 5.08% and 6.31%, respectively.

If the value in use of the CGU is less than its carrying amount and the fair value less cost of disposal is not estimated to be higher than the value in use, the difference is recorded as an impairment of the CGU goodwill.

In 2020, as a result of the annual impairment test of goodwill, the Latin America CGU of Fresenius Medical Care recognized an impairment of goodwill and tradenames of €195 million to reduce the carrying amount of goodwill and tradenames. The impairment was driven by a macroeconomic downturn and increasing risk adjustment rates for certain countries in Latin America. An increase of the WACC (after tax) by 0.5 percentage points would not have resulted in the recognition of an impairment loss in one of the other CGUs of the Fresenius Group in 2020. An increase of the WACC (after tax) of the CGU Fresenius Kabi Latin America (carrying amount of goodwill as of December 31, 2020: €120 million) by 1.17 percentage points would have led to the value in use being equal to the carrying amount. An increase of the WACC (after tax) of the CGU Fresenius Medical Care EMEA (carrying amount of goodwill as of December 31, 2020: €1.329 million) by 0.64 percentage points would have led to the value in use being equal to the carrying amount.

A decrease of the EBIT margin per annum of the CGU Fresenius Kabi Latin America by 1.35 percentage points and of the CGU Fresenius Medical Care EMEA by 1.16 percentage points would have led to the value in use being equal to the carrying amount.

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and prices and/or higher than expected costs for providing health care services and for procuring and selling health care products or a significant increase of mortality of patients with chronic kidney diseases which may be attributable to COVID-19 could adversely affect the estimated future cash flows of certain countries or segments. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A decrease in the estimated future cash flows and/or a decline in the reporting unit's economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful lives which could materially and adversely affect Fresenius Group's future operating results.

b) Legal contingencies

The Fresenius Group is involved in several legal matters arising from the ordinary course of its business. The outcome of these matters may have a material adverse effect on the financial position, results of operations or cash flows of the Fresenius Group. For details, please see note 30, Commitments and contingencies.

The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Fresenius Group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a provision for legal matters, the Fresenius Group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that a provision for a loss is appropriate.

c) Allowances for expected credit losses

Trade accounts receivable are a significant asset and the allowances for expected credit losses are a significant estimate made by the local Management. Trade accounts receivable were €6,937 million and €7,176 million in 2020 and 2019, respectively, net of allowance. Approximately 45% and 48%, respectively, of receivables derive from the business segment Fresenius Medical Care and mainly relate to the dialysis care business in North America.

The major debtors or debtor groups of trade accounts receivable were U.S. Medicare and Medicaid health care programs with 14%, private insurers in the United States with 6% as well as the public health authority of the region of Madrid with 18%, at December 31, 2020. Other than that, the Fresenius Group has no significant risk concentration, due to its international and heterogeneous customer structure.

The allowances for expected credit losses are €401 million and €351 million as of December 31, 2020 and December 31, 2019, respectively. A valuation allowance is calculated if specific circumstances indicate that amounts will not be collectible. When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate review by the local management, a receivable deemed to be uncollectible is considered a bad debt and written off.

Deterioration in the aging of receivables and collection difficulties could require that the Fresenius Group increases the estimates of allowances for expected credit losses. Additional expenses for uncollectible receivables could have a significant negative impact on future operating results.

d) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability, worker's compensation claims and medical malpractice claims, the largest subsidiary of Fresenius Medical Care AG & Co. KGaA, located in the United States, is partially self-insured for professional liability claims. For further details regarding the accounting policies for self-insurance programs, please see note 1. III. x, Self-insurance programs.

2. ACQUISITIONS, DIVESTITURES AND INVESTMENTS

ACQUISITIONS, DIVESTITURES AND INVESTMENTS

The Fresenius Group made acquisitions, investments and purchases of intangible assets of €902 million and €2,623 million in 2020 and 2019, respectively. In 2020, of this amount, €720 million was paid in cash and €182 million was assumed obligations. There were no individually material transactions which have occurred during the fiscal year 2020.

Fresenius Medical Care

In 2020, Fresenius Medical Care spent €407 million on acquisitions, mainly on the purchase of dialysis clinics.

In 2019, Fresenius Medical Care spent €2,297 million on acquisitions, mainly on the purchase of NxStage Medical, Inc. (NxStage).

Acquisition of NxStage Medical, Inc., United States

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, was 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.

The transaction was accounted for as a business combination. The following table comprises the final fair values of assets acquired and liabilities assumed at the date of the acquisition.

	US$ in millions	€ in millions
Cash and cash equivalents	47	42
Trade accounts and other receivables	34	30
Inventories	63	56
Other current assets	16	14
Property, plant and equipment	104	92
Right-of-use assets	22	19
Intangible assets and other assets	762	671
Goodwill	1,202	1,058
Accounts payable, current provisions and other current liabilities	-72	-64
Income tax payable and deferred taxes	-101	-89
Lease liabilities	-22	-19
Other liabilities	-28	-24
Noncontrolling interests	-4	-4
Total acquisition cost	**2,023**	**1,782**
less cash acquired	-47	-41
Net cash paid	**1,976**	**1,741**

As of the acquisition date, amortizable intangible assets (primarily technology) acquired in this acquisition have weighted-average useful lives of 13 years.

Goodwill in the amount of US$1,202 million (€1,058 million) was acquired as part of the NxStage acquisition.

NxStage's results have been included in the Fresenius Group's consolidated statement of income since February 21, 2019. Specifically, NxStage has contributed US$294 million (€263 million) to sales and -US$31 million (-€28 million) to the operating income (EBIT) of the Fresenius Group for the fiscal year 2019. This operating loss amount does not include synergies which may have resulted at consolidated entities outside NxStage since the acquisition closed.

Fresenius Kabi

In 2020, Fresenius Kabi spent €31 million on acquisitions, mainly for already planned acquisition related milestone payments relating to the acquisition of the biosimilars business.

In 2019, Fresenius Kabi spent €86 million on acquisitions, mainly for already planned acquisition related milestone payments relating to the acquisition of the biosimilars business.

Fresenius Helios

In 2020, Fresenius Helios spent €459 million on acquisitions, mainly for the purchase of Centro Médico Imbanaco S.A. in Colombia. Furthermore, Clínica del Prado S.A. and Clínica de la Mujer S.A.S. were acquired in Colombia. In Germany, hospitals and outpatient clinics of the Malteser humanitarian aid group as well as Digitale Gesundheits Gruppe GmbH were acquired.

In 2019, Fresenius Helios spent €211 million on acquisitions, mainly for the purchase of two hospitals (Clínica Las Vegas, S.A., Clínica Medellín, S.A.) and CediMed, one medical diagnostics provider in Colombia, as well as Mitteldeutsches Institut für Arbeitsmedizin GmbH and outpatient clinics in Germany.

Fresenius Vamed

In 2020, Fresenius Vamed spent €6 million on acquisitions.

In 2019, Fresenius Vamed spent €29 million on acquisitions, mainly for the purchase of a sterilization services provider in Great Britain and the increased shareholding in a post-acute clinic in Austria.

IMPACTS ON FRESENIUS GROUP'S CONSOLIDATED FINANCIAL STATEMENTS RESULTING FROM ACQUISITIONS

In the fiscal year 2020, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting at the date of acquisition. The excess of the total fair value of consideration paid over the fair value of the net assets acquired was €844 million and €2,704 million in 2020 and 2019, respectively. The measurement period adjustments from the previous year's acquisitions did not have a significant impact on the consolidated financial statements in 2020.

The purchase price allocations are not yet finalized for all acquisitions of the current year. Based on preliminary purchase price allocations, the recognized goodwill was €548 million and the other intangible assets were €296 million. Of this goodwill, €254 million is attributable to the acquisitions of Fresenius Medical Care, €290 million to the acquisitions of Fresenius Helios and €4 million to the acquisitions of Fresenius Vamed.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill arises principally due to the fair value placed on an established stream of future cash flows.

The acquisitions completed in 2020 or included in the consolidated financial statements for the first time for a full year contributed the following amounts to the development of sales and earnings:

€ in millions	2020
Sales	309
EBITDA	41
EBIT	25
Net interest	-13
Net income attributable to shareholders of Fresenius SE & Co. KGaA	14

The acquisitions increased the total assets of the Fresenius Group by €849 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2020 in the amount of €1,707 million includes special items relating to an impairment of goodwill at Fresenius Medical Care Latin America and the revaluation of biosimilars contingent purchase price liabilities.

The special items had the following impact on the consolidated statement of income of 2020:

€ in millions	EBIT	Interest expenses	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2020, before special items	4,612	-654	1,796
Impairment of goodwill at Fresenius Medical Care Latin America	-195	0	-63
Revaluations of biosimilars contingent purchase price liabilities	-32	-5	-26
Earnings 2020 according to IFRS	**4,385**	**-659**	**1,707**

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2019 in the amount of €1,883 million included special items relating to the acquisition of NxStage and the cost optimization program of Fresenius Medical Care. Furthermore, special items due to divestitures of Care Coordination activities, the revaluation of biosimilars contingent purchase price liabilities as well as the terminated merger agreement with Akorn, Inc. are included in net income attributable to shareholders of Fresenius SE & Co. KGaA.

The special items had the following impact on the consolidated statement of income of 2019:

€ in millions	EBIT	Interest expenses	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2019, before special items	4,688	-714	1,879
Transaction costs NxStage	-24	0	-6
Cost optimization program Fresenius Medical Care	-91	0	-21
Gain related to divestitures of Care Coordination activities	29	0	15
Revaluations of biosimilars contingent purchase price liabilities	32	-5	19
Transaction costs Akorn	-3	0	-3
Earnings 2019 according to IFRS	**4,631**	**-719**	**1,883**

4. SALES

Sales by activity were as follows:

€ in millions	2020 Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate	Fresenius Group
Sales from contracts with customers	17,410	6,913	9,786	1,742	2	35,853
thereof sales of services	13,810	67	9,782	1,160	1	24,820
thereof sales of products and related services	3,600	6,830	0	0	1	10,431
thereof sales from long-term production contracts	0	0	0	582	0	582
thereof further sales from contracts with customers	0	16	4	0	0	20
Other sales	409	3	12	0	0	424
Sales	**17,819**	**6,916**	**9,798**	**1,742**	**2**	**36,277**

	2019					
€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate	Fresenius Group
Sales from contracts with customers	17,059	6,860	9,204	1,886	2	35,011
thereof sales of services	13,623	65	9,201	1,125	1	24,015
thereof sales of products and related services	3,436	6,780	0	0	1	10,217
thereof sales from long-term production contracts	0	0	0	761	0	761
thereof further sales from contracts with customers	0	15	3	0	0	18
Other sales	375	5	13	6	-1	398
Sales	**17,434**	**6,865**	**9,217**	**1,892**	**1**	**35,409**

Other sales include sales from insurance and lease contracts.

As of December 31, 2020, the Group had performance obligations that are unsatisfied or partially unsatisfied and that are expected to be satisfied and recorded in sales in the following years.

€ in millions	2021	2022	2023	2024	2025	thereafter	**Total**
Transaction price of the unsatisfied or partially unsatisfied performance obligations	1,657	1,206	845	779	529	581	**5,597**

A sales analysis by business segment and region is shown in the segment information on pages 226 to 227.

5. COST OF MATERIALS

Cost of materials included in cost of sales was comprised of cost of raw materials, supplies and purchased components and cost of purchased services:

€ in millions	**2020**	2019
Cost of raw materials, supplies and purchased components	**7,624**	7,545
Cost of purchased services	**1,487**	1,528
Cost of materials	**9,111**	9,073

6. PERSONNEL EXPENSES

Cost of sales, selling expenses, general and administrative expenses and research and development expenses included personnel expenses of €15,128 million and €14,355 million in 2020 and 2019, respectively.

Personnel expenses were comprised of the following:

€ in millions	**2020**	2019
Wages and salaries	**12,357**	11,651
Social security contributions, cost of retirement pensions and social assistance	**2,771**	2,704
thereof retirement pensions	**395**	366
Personnel expenses	**15,128**	14,355

Fresenius Group's annual average number of employees by function is shown below:

	2020	2019
Production	**42,657**	42,207
Service	**217,099**	204,981
Administration	**29,454**	27,665
Sales and marketing	**12,982**	12,000
Research and development	**3,514**	3,283
Total employees (per capita)	**305,706**	290,136

7. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €751 million (2019: €645 million) included expenditures for research and non-capitalizable development costs as well as regular depreciation and amortization expenses relating to capitalized development costs of €20 million (2019: €17 million). Furthermore, in 2020, research and development expenses included reversals of write-downs on capitalized development expenses of €7 million (2019: reversals of write-downs on capitalized development expenses of €20 million and impairments of €5 million). These related to in-process R&D of product approval projects, which were acquired through the acquisition of Fresenius Kabi USA, Inc. The expenses for the further development of the biosimilars business included in the research and development expenses amounted to €159 million (2019: €91 million).

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to €4,373 million (2019: €4,386 million) and were related to expenditures for administrative functions not attributable to research and development, production or selling.

9. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses mainly included foreign exchange gains and losses, income related to the equity method investee named Vifor Fresenius Medical Care Renal Pharma Ltd. and valuations of other equity investments that are measured at fair value through profit and loss as well as the release of provisions.

10. NET INTEREST

Net interest of -€659 million (2019: -€719 million) included interest expenses of €752 million (2019: €881 million) and interest income of €93 million (2019: €162 million). The main portion of the interest expenses resulted from Fresenius Group's financial liabilities, which are recognized at amortized cost (see note 32, Financial instruments). Moreover, €205 million related to lease liabilities. The main portion of interest income resulted from the valuation of the derivatives embedded in the convertible bonds of Fresenius SE & Co. KGaA (see note 25, Convertible bonds), trade accounts and other receivables and loans to related parties.

11. TAXES

INCOME TAXES

Income before income taxes was attributable to the following geographic regions:

€ in millions	**2020**	2019
Germany	**420**	494
International	**3,306**	3,418
Total	**3,726**	3,912

Income tax expenses (benefits) for 2020 and 2019 consisted of the following:

€ in millions	Current taxes	Deferred taxes	**Income taxes**
2020			
Germany	**137**	**-12**	**125**
International	**723**	**55**	**778**
Total	**860**	**43**	**903**
2019			
Germany	32	76	108
International	782	-7	775
Total	814	69	883

A reconciliation between the expected and actual income tax expense is shown in the following table. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rate was 30.8% and 30.6% for the fiscal years 2020 and 2019, respectively.

€ in millions	2020	2019
Computed "expected" income tax expense	**1,146**	1,197
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**114**	77
Tax rate differential	**-307**	-275
Tax rate changes	**4**	7
Tax-free income	**-60**	-89
Taxes for prior years	**33**	20
Noncontrolling interests	**-70**	-61
Other	**43**	7
Income tax	**903**	883
Effective tax rate	**24.2%**	22.6%

DEFERRED TAXES

The tax effects of the temporary differences and losses carried forward from prior years that gave rise to deferred tax assets and liabilities at December 31 are presented below:

€ in millions	2020	2019
Deferred tax assets		
Accounts receivable	**59**	56
Inventories	**181**	173
Other current assets	**88**	49
Other non-current assets	**144**	127
Lease liabilities	**1,199**	1,556
Provisions and other liabilities	**467**	300
Benefit obligations	**300**	296
Losses carried forward from prior years	**191**	263
Deferred tax assets	**2,629**	2,820
Deferred tax liabilities		
Accounts receivable	**45**	35
Inventories	**6**	21
Other current assets	**183**	149
Other non-current assets	**1,741**	1,554
Right-of-use assets	**1,112**	1,453
Provisions and other liabilities	**120**	187
Deferred tax liabilities	**3,207**	3,399
Net deferred taxes	**-578**	-579

In the consolidated statement of financial position, the net amounts of deferred tax assets and liabilities are included as follows:

€ in millions	2020	2019
Deferred tax assets	**812**	839
Deferred tax liabilities	**1,390**	1,418
Net deferred taxes	**-578**	-579

As of December 31, 2020, Fresenius Medical Care has not recognized a deferred tax liability on approximately €9 billion of undistributed earnings of its foreign subsidiaries, because those earnings are considered indefinitely reinvested.

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

for the fiscal years	€ in millions
2021	37
2022	38
2023	37
2024	51
2025	61
2026	6
2027	38
2028	6
2029	11
2030 and thereafter	178
Total	**463**

The total remaining operating losses of €1,127 million can mainly be carried forward for an unlimited period. The total amount of the existing operating losses as of December 31, 2020 includes an amount of €1,014 million (2019: €1,023 million) that will probably not be realizable. For these operating losses, deferred tax assets were not recognized.

Based upon the level of historical taxable income and projections for future taxable income, the Management of the Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2020.

12. NONCONTROLLING INTERESTS

As of December 31, noncontrolling interests in net income in the Fresenius Group were as follows:

€ in millions	2020	2019
Noncontrolling interests in Fresenius Medical Care	791	826
Noncontrolling interests in Fresenius Vamed	–	19
Noncontrolling interests in the business segments		
Fresenius Medical Care	271	239
Fresenius Kabi	44	49
Fresenius Helios	7	11
Fresenius Vamed	3	2
Total noncontrolling interests	**1,116**	1,146

In the fiscal year 2020, Fresenius Medical Care AG & Co. KGaA paid dividends to noncontrolling interests in the amount of €238 million (2019: €244 million).

13. IMPACTS OF THE COVID-19 PANDEMIC

The financial statements of the Fresenius Group have been impacted by COVID-19, mostly in the form of lost revenue and additional costs incurred to protect its patients and employees, to safeguard its production activities and clinical operations and additional freight and logistic costs. Across the Fresenius global footprint, various governments in regions have provided economic assistance programs to address the consequences of the pandemic on companies and support health care providers and patients. The related reimbursement payments and funding received by Fresenius have been accounted for in accordance with terms and regulations set forth by the local laws and regulations.

The most significant programs which have impacted the Fresenius Group's business are in Germany and the United States as follows:

In Germany, the hospitals of the Fresenius Group have received reimbursements and grants under the COVID-19 Hospital Relief Act (''Gesetz zum Ausgleich COVID-19 bedingter finanzieller Belastungen der Krankenhäuser und weiterer Gesundheitseinrichtungen'') and further amended regulations. Hospitals have been compensated for their increase in capacity and related patient services through the postponement of elective treatments and provision of additional intensive care beds for the treatment of COVID-19 patients and for higher treatment costs.

As these additional reimbursements for hospital services are paid by the partly state funded health care fund, such revenues are recognized in accordance with the Fresenius Group's existing revenue recognition policies for hospital services (IFRS 15, Revenue from Contracts with Customers). In 2020, the German hospitals of the Fresenius Group received total reimbursements and grants of €742 million, of which €697 million were recorded in sales and €45 million as grants in other operating income.

In the United States, Fresenius Medical Care North America received payments under the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) of €249 million and has thereof €229 million recognized primarily against the respective cost of sales line item and the rest against the selling, general and administrative expense line item in the consolidated statement of income in accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. Additionally, the Fresenius Group received in the United States advance payments under the CMS Accelerated and Advance Payment program which are recorded in accordance with IFRS 15 as a contract liability upon receipt and recognized as sales when the respective services are provided. The Fresenius Group recorded a respective contract liability within short-term provisions and other short-term liabilities in the amount of €852 million as of December 31, 2020.

In addition to the programs above, the Fresenius Group also received grants and other reimbursements under various other programs from multiple governments around the world in the amount of €52 million. In Spain, Quirónsalud was particularly impacted by the state of emergency declared by the Spanish Government on March 14, 2020. Regional health authorities were responsible for coordinating the implementation of the state of emergency in accordance with regional laws and regulations and private health insurance. This has initially impacted the reimbursement rate for the treatment of COVID-19 patients, which has been largely agreed-upon during the course of the reporting year. Additionally, reimbursements related to further measures taken during the course of the state of emergency which required freeing-up hospital bed capacity, has not yet been finalized in all regions. In the absence of a comprehensive national regulation, however, it is foreseeable that these reimbursements will only cover a portion of Quirónsalud's lost revenues.

All funds received from grants comply with the respective conditions. The Fresenius Group is obliged and committed to fulfilling all the requirements as set out in the grant funding arrangements.

In addition to the aforementioned additional reimbursements and compensated costs incurred in various countries, the Fresenius Group was affected by impacts COVID-19 had on the global economy and financial markets as well as effects related to lockdowns. At the same time the Fresenius Group was affected by lower cost in certain areas, for example for incentive plans and travel.

The Fresenius Group is well positioned to meet its ongoing financial obligations and has sufficient liquidity to support its normal business activities.

14. EARNINGS PER SHARE

The following table shows the earnings per share including and excluding the dilutive effect from stock options issued:

	2020	2019
Numerators, € in millions		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**1,707**	1,883
less effect from dilution due to Fresenius Medical Care shares	**–**	–
Income available to all ordinary shares	**1,707**	1,883
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**557,451,759**	556,820,762
Potentially dilutive ordinary shares	**292,103**	596,552
Weighted-average number of ordinary shares outstanding assuming dilution	**557,743,862**	557,417,314
Basic earnings per share in €	**3.06**	3.38
Fully diluted earnings per share in €	**3.06**	3.38

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. CASH AND CASH EQUIVALENTS

As of December 31, cash and cash equivalents were as follows:

€ in millions	2020	2019
Cash	1,192	1,158
Time deposits and securities (with a maturity of up to 90 days)	645	496
Total cash and cash equivalents	**1,837**	1,654

As of December 31, 2020 and December 31, 2019, earmarked funds of €121 million and €111 million, respectively, were included in cash and cash equivalents.

The Fresenius Group operates a multi-currency notional pooling cash management system. The Fresenius Group met the conditions to offset balances within this cash pool for reporting purposes. At December 31, 2020, €1,006 million (December 31, 2019: €177 million) of the cash balances and the equivalent amount of the overdraft balances were offset. Thereof, €998 million related to Fresenius Medical Care.

16. TRADE ACCOUNTS AND OTHER RECEIVABLES

As of December 31, trade accounts and other receivables were as follows:

€ in millions	2020	2019
Trade accounts and other receivables	7,338	7,527
less allowances for expected credit losses	401	351
Trade accounts and other receivables, net	**6,937**	7,176

Within trade accounts and other receivables (before allowances) as of December 31, 2020, €7,248 million relate to revenue from contracts with customers as defined by IFRS 15. This amount includes €400 million of allowances for expected credit losses. Further trade accounts and other receivables, net, relate to other sales.

All trade accounts and other receivables are due within one year. Trade accounts and other receivables with a term of more than one year in the amount of €38 million (2019: €25 million) are included in other non-current assets.

The following table shows the development of the allowances for expected credit losses during the fiscal year:

€ in millions	2020	2019
Allowances for expected credit losses at the beginning of the year	351	323
Change in valuation allowances as recorded in the consolidated statement of income	94	52
Write-offs and recoveries of amounts previously written-off	-23	-24
Foreign currency translation	-21	–
Allowances for expected credit losses at the end of the year	401	351

Further allowances for expected credit losses are included in other current and non-current assets (see note 18, Other current and non-current assets). As of December 31, 2020, the Fresenius Group had total allowances for expected credit losses of €423 million (2019: €374 million).

The following table shows the credit risk rating grades of trade accounts receivable and their allowances for expected credit losses:

	December 31, 2020			December 31, 2019		
€ in millions	**Total**	**thereof overdue**	**thereof credit impaired**	Total	thereof overdue	thereof credit impaired
Trade accounts and other receivables	7,338	3,283	674	7,527	3,044	710
less allowances for expected credit losses	401	347	314	351	314	274
Trade accounts and other receivables, net	**6,937**	**2,936**	**360**	7,176	2,730	436

17. INVENTORIES

As of December 31, inventories consisted of the following:

€ in millions	2020	2019
Raw materials and purchased components	913	835
Work in process	363	370
Finished goods	2,796	2,559
less reserves	127	131
Inventories, net	**3,945**	**3,633**

In 2020 and in 2019, immaterial reversals of write-downs of inventory were made.

The companies of the Fresenius Group are obliged to purchase approximately €937 million of raw materials and purchased components under fixed terms, of which €554 million was committed at December 31, 2020 for 2021. The terms of these agreements run 1 to 10 years.

18. OTHER CURRENT AND NON-CURRENT ASSETS

As of December 31, other current and non-current assets were comprised of the following:

	2020		2019	
€ in millions		thereof short-term		thereof short-term
At equity investments	764	0	697	0
Tax receivables	553	530	666	638
Contract assets	474	474	704	704
Advances made	356	352	173	169
Prepaid expenses	87	61	79	53
Accounts receivable resulting from German hospital law	82	81	112	112
Prepaid rent and insurance	46	46	51	51
Other assets	594	436	560	417
Other non-financial assets, net	**2,956**	**1,980**	**3,042**	**2,144**
Compensation receivable resulting from German hospital law	516	512	219	211
Debt instruments	401	161	370	133
Equity investments	393	0	369	0
Long-term loans	127	51	103	31
Leasing receivables	109	0	112	0
Deposits	96	39	97	35
Receivable for supplier rebates	91	91	51	51
Derivative financial instruments	18	18	14	11
Other assets	360	91	355	85
Other financial assets, net	**2,111**	**963**	**1,690**	**557**
Other assets, net	**5,067**	**2,943**	**4,732**	**2,701**
Allowances	22	18	23	19
Other assets, gross	**5,089**	**2,961**	**4,755**	**2,720**

At equity investments mainly related to the equity method investee of Fresenius Medical Care named Vifor Fresenius Medical Care Renal Pharma Ltd. In 2020, income of €94 million (2019: €74 million) resulting from this equity investment was included in other operating income in the consolidated statement of income.

The accounts receivable resulting from German hospital law contain approved but not yet received earmarked subsidies of the Fresenius Helios operations. The approval is evidenced in a letter written by the granting authorities that Fresenius Helios has already received. The compensation receivable resulting from German hospital law mainly relates to income equalization claims for hospital services.

Contract assets mainly related to long-term production contracts for which revenue is recognized over time. As of December 31, 2020, they included €0.1 million (2019: €0.2 million) of allowances for expected credit losses. Moreover, in the fiscal year 2020, no depreciation (2019: €1 million) was recognized on other non-current assets.

19. PROPERTY, PLANT AND EQUIPMENT

As of December 31, the acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consisted of the following:

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of January 1, 2020	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	**As of December 31, 2020**
Land	848	-11	31	16	–	5	**879**
Buildings and improvements	8,336	-351	163	174	499	90	**8,731**
Machinery and equipment	9,593	-452	-7	813	384	273	**10,058**
Construction in progress	1,886	-91	12	1,137	-815	4	**2,125**
Property, plant and equipment	20,663	-905	199	2,140	68	372	**21,793**

DEPRECIATION

€ in millions	As of January 1, 2020	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	**As of December 31, 2020**
Land	15	–	0	1	1	0	**17**
Buildings and improvements	3,562	-182	-8	426	-1	62	**3,735**
Machinery and equipment	5,774	-256	-28	854	15	236	**6,123**
Construction in progress	5	–	0	1	–	–	**6**
Property, plant and equipment	9,356	-438	-36	1,282	15	298	**9,881**

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of January 1, 2019	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	As of December 31, 2019
Land	821	2	22	10	-3	4	**848**
Buildings and improvements	7,677	71	49	146	496	103	**8,336**
Machinery and equipment	8,559	66	94	795	374	295	**9,593**
Machinery, equipment and rental equipment under capital leases	255	0	0	0	-255	0	**0**
Construction in progress	1,569	11	-1	1,150	-827	16	**1,886**
Property, plant and equipment	18,881	150	164	2,101	-215	418	**20,663**

DEPRECIATION

€ in millions	As of January 1, 2019	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	As of December 31, 2019
Land	14	–	0	1	–	–	**15**
Buildings and improvements	3,196	33	-8	400	9	68	**3,562**
Machinery and equipment	5,184	32	-7	829	27	291	**5,774**
Machinery, equipment and rental equipment under capital leases	113	0	0	0	-113	0	**0**
Construction in progress	8	-1	0	0	0	2	**5**
Property, plant and equipment	8,515	64	-15	1,230	-77	361	**9,356**

CARRYING AMOUNTS

€ in millions	**December 31, 2020**	December 31, 2019
Land	**862**	833
Buildings and improvements	**4,996**	4,774
Machinery and equipment	**3,935**	3,819
Construction in progress	**2,119**	1,881
Property, plant and equipment	**11,912**	11,307

Depreciation on property, plant and equipment for the years 2020 and 2019 was €1,282 million and €1,230 million, respectively. It is allocated within cost of sales, selling expenses, general and administrative expenses and research and development expenses, depending upon the use of the asset.

LEASING

Machinery and equipment as of December 31, 2020 and 2019 included medical devices which Fresenius Medical Care and Fresenius Kabi lease to hospitals, patients and physicians under operating leases in an amount of €884 million and €911 million, respectively.

For information on the development of the right-of-use assets, see note 31, Leases.

20. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 31, the acquisition cost and accumulated amortization of intangible assets consisted of the following:

ACQUISITION COST

€ in millions	As of January 1, 2020	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	As of December 31, 2020
Goodwill	27,737	-1,491	537	11	0	–	**26,794**
Customer relationships	765	-10	0	2	-2	0	**755**
Tradenames with finite useful lives	693	-3	0	0	0	0	**690**
Capitalized development costs	923	-29	0	65	-21	1	**937**
Patents, product and distribution rights	745	-52	0	4	3	63	**637**
Software	1,109	-47	4	238	68	17	**1,355**
Technology	1,022	-75	–	0	–	0	**947**
Tradenames with indefinite useful lives	243	-19	–	–	0	0	**224**
Non-compete agreements	337	-27	7	–	0	2	**315**
Management contracts	3	–	0	0	–	0	**3**
Other	491	-21	7	34	-33	101	**377**
Goodwill and other intangible assets	34,068	-1,774	555	354	15	184	**33,034**

AMORTIZATION

€ in millions	As of January 1, 2020	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	As of December 31, 2020
Goodwill	0	0	0	195	0	0	**195**
Customer relationships	167	-5	0	43	-2	0	**203**
Tradenames with finite useful lives	129	-2	0	41	0	0	**168**
Capitalized development costs	258	-15	0	13	–	0	**256**
Patents, product and distribution rights	470	-31	–	31	1	67	**404**
Software	528	-21	–	129	–	11	**625**
Technology	307	-23	0	73	–	0	**357**
Tradenames with indefinite useful lives	0	0	0	0	0	0	**0**
Non-compete agreements	296	-24	–	11	–	2	**281**
Management contracts	0	–	0	1	0	0	**1**
Other	307	-13	-1	17	–	101	**209**
Goodwill and other intangible assets	2,462	-134	-1	554	-1	181	**2,699**

ACQUISITION COST

€ in millions	As of January 1, 2019	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	**As of December 31, 2019**
Goodwill	25,713	295	1,718	14	0	3	**27,737**
Customer relationships	717	3	48	0	-3	0	**765**
Tradenames with finite useful lives	699	1	-7	1	1	2	**693**
Capitalized development costs	895	6	0	51	-28	1	**923**
Patents, product and distribution rights	759	13	-38	6	5	–	**745**
Software	821	5	1	227	64	9	**1,109**
Technology	428	3	590	0	1	0	**1,022**
Tradenames with indefinite useful lives	199	3	41	–	–	0	**243**
Non-compete agreements	329	6	5	–	–	3	**337**
Management contracts	3	0	0	0	0	0	**3**
Other	418	6	48	50	-23	8	**491**
Goodwill and other intangible assets	30,981	341	2,406	349	17	26	**34,068**

AMORTIZATION

€ in millions	As of January 1, 2019	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	**As of December 31, 2019**
Goodwill	0	0	0	0	0	0	**0**
Customer relationships	122	1	0	44	0	0	**167**
Tradenames with finite useful lives	90	–	-3	42	0	–	**129**
Capitalized development costs	255	2	0	2	0	1	**258**
Patents, product and distribution rights	432	7	0	36	–	5	**470**
Software	433	3	–	104	-4	8	**528**
Technology	235	3	0	69	–	0	**307**
Tradenames with indefinite useful lives	0	0	0	0	0	0	**0**
Non-compete agreements	282	5	–	12	–	3	**296**
Management contracts	0	0	0	0	0	0	**0**
Other	289	6	0	18	2	8	**307**
Goodwill and other intangible assets	2,138	27	-3	327	-2	25	**2,462**

CARRYING AMOUNTS

€ in millions	December 31, 2020	December 31, 2019
Goodwill	**26,599**	27,737
Customer relationships	**552**	598
Tradenames with finite useful lives	**522**	564
Capitalized development costs	**681**	665
Patents, product and distribution rights	**233**	275
Software	**730**	581
Technology	**590**	715
Tradenames with indefinite useful lives	**224**	243
Non-compete agreements	**34**	41
Management contracts	**2**	3
Other	**168**	184
Goodwill and other intangible assets	**30,335**	31,606

Amortization and impairments on intangible assets amounted to €554 million and €327 million for the years 2020 and 2019, respectively. It is allocated within cost of sales, selling expenses, general and administrative expenses and research and development expenses, depending upon the use of the asset. In 2020, amortization and impairments on intangible assets included €195 million related to an impairment of goodwill and tradenames of the cash generating unit (CGU) Fresenius Medical Care Latin America. This is allocated within general and administrative expenses.

The split of intangible assets into amortizable and non-amortizable intangible assets is shown in the following tables:

AMORTIZABLE INTANGIBLE ASSETS

€ in millions	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Customer relationships	**755**	**203**	**552**	765	167	598
Tradenames	**690**	**168**	**522**	693	129	564
Capitalized development costs	**937**	**256**	**681**	923	258	665
Patents, product and distribution rights	**637**	**404**	**233**	745	470	275
Software	**1,355**	**625**	**730**	1,109	528	581
Technology	**947**	**357**	**590**	1,022	307	715
Non-compete agreements	**315**	**281**	**34**	337	296	41
Other	**377**	**209**	**168**	491	307	184
Total	**6,013**	**2,503**	**3,510**	6,085	2,462	3,623

Fresenius Medical Care capitalized development costs in an amount of €32 million for the fiscal year 2020 (2019: €37 million). Capitalized development costs are amortized on a straight-line basis over a useful life of 8 years. The amortization expense for the fiscal year 2020 amounted to €5 million (2019: €3 million). In the case of Fresenius Kabi, development costs capitalized amounted to €646 million at December 31, 2020 (December 31, 2019: €628 million). The amortization is recorded on a straight-line basis over a useful life of 5 to 20 years and amounted to €15 million for the fiscal year 2020 (2019: €14 million). Furthermore, in 2020, research and development expenses included reversals of write-downs on capitalized development expenses of €7 million (2019: reversals of write-downs on capitalized development expenses of €20 million and impairments of €5 million) (see note 7, Research and development expenses). These are included in the preceding amortization tables in the columns additions.

NON-AMORTIZABLE INTANGIBLE ASSETS

€ in millions	December 31, 2020 Acquisition cost	December 31, 2020 Accumulated amortization	December 31, 2020 Carrying amount	December 31, 2019 Acquisition cost	December 31, 2019 Accumulated amortization	December 31, 2019 Carrying amount
Goodwill	**26,794**	**195**	**26,599**	27,737	0	27,737
Tradenames	**224**	**0**	**224**	243	0	243
Management contracts	**3**	**1**	**2**	3	0	3
Total	**27,021**	**196**	**26,825**	27,983	0	27,983

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate	**Fresenius Group**
Carrying amount as of January 1, 2019	**12,210**	**5,355**	**7,857**	**285**	**6**	**25,713**
Additions	1,589	0	134	9	0	1,732
Disposals	0	0	-3	0	0	-3
Foreign currency translation	218	76	0	1	0	295
Carrying amount as of December 31, 2019	**14,017**	**5,431**	**7,988**	**295**	**6**	**27,737**
Additions	254	0	290	4	0	548
Disposals	0	–	0	–	0	–
Impairment loss	-195	0	0	0	0	-195
Foreign currency translation	-1,117	-373	0	-1	0	-1,491
Carrying amount as of December 31, 2020	**12,959**	**5,058**	**8,278**	**298**	**6**	**26,599**

The decrease of goodwill mainly relates to foreign currency translation and the impairment of goodwill at Fresenius Medical Care Latin America.

As of December 31, 2020 and December 31, 2019, the carrying amounts of the other non-amortizable intangible assets were €210 million and €230 million for Fresenius Medical Care as well as €16 million, respectively, for Fresenius Kabi.

21. PROVISIONS

As of December 31, provisions consisted of the following:

€ in millions	2020	2020 thereof short-term	2019	2019 thereof short-term
Self-insurance programs	371	367	365	359
Personnel expenses	283	165	336	187
Warranties and complaints	246	244	265	262
Litigation and other legal risks	141	123	147	111
Interest payable related to income taxes	73	0	62	0
Other provisions	455	276	364	240
Provisions	**1,569**	**1,175**	1,539	1,159

The following table shows the development of provisions in the fiscal year:

€ in millions	As of January 1, 2020	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Utilized	Reversed	As of December 31, 2020
Self-insurance programs	365	-19	1	175	–	-12	-139	**371**
Personnel expenses	336	-11	3	127	1	-146	-27	**283**
Warranties and complaints	265	-2	5	156	0	-172	-6	**246**
Litigation and other legal risks	147	-8	10	55	–	-51	-12	**141**
Interest payable related to income taxes	62	–	0	14	1	0	-4	**73**
Other provisions	364	-13	10	212	-2	-89	-27	**455**
Total	1,539	-53	29	739	–	-470	-215	**1,569**

Provisions for personnel expenses mainly refer to share-based compensation plans, severance payments and jubilee payments.

For details regarding provisions for self-insurance programs, please see note 1. III. x, Self-insurance programs.

For details regarding litigation and other legal risks, please see note 30, Commitments and contingencies.

22. OTHER LIABILITIES

As of December 31, other liabilities consisted of the following:

€ in millions	2020	2020 thereof short-term	2019	2019 thereof short-term
Contract liabilities	**962**	**648**	92	92
Tax liabilities	**295**	**276**	282	257
Personnel liabilities	**194**	**11**	109	9
Accounts payable resulting from German hospital law	**152**	**152**	90	90
Deferred income	**116**	**85**	82	45
All other liabilities	**984**	**799**	910	729
Other non-financial liabilities	**2,703**	**1,971**	1,565	1,222
Personnel liabilities	**1,373**	**1,364**	1,229	1,219
Invoices outstanding	**1,011**	**1,011**	881	881
Put option liabilities	**901**	**646**	952	655
Accrued contingent payments outstanding for acquisitions	**581**	**56**	595	75
Debtors with credit balances	**526**	**526**	507	507
Bonuses and discounts	**281**	**281**	228	228
Interest liabilities	**168**	**168**	167	167
Derivative financial instruments	**88**	**88**	25	23
Compensation payable resulting from German hospital law	**68**	**68**	36	33
Legal matters, advisory and audit fees	**46**	**46**	46	46
Commissions	**33**	**33**	30	30
All other liabilities	**3**	**–**	5	0
Other financial liabilities	**5,079**	**4,287**	4,701	3,864
Other liabilities	**7,782**	**6,258**	6,266	5,086

The accounts payable resulting from German hospital law contain earmarked subsidies received but not yet spent appropriately by Fresenius Helios. The amount not yet spent appropriately is classified as liability.

Contract liabilities primarily relate to advance payments from customers and to sales of dialysis machines. In these cases, revenue is recognized upon installation and provision of the necessary technical instructions whereas a receivable is recognized once the machine is delivered or billed to the customer.

Financial personnel liabilities mainly include liabilities for wages and salaries and social security liabilities.

The Fresenius Group, as option writer of existing put options, has potential obligations to purchase noncontrolling interests held by third parties in certain of its consolidated subsidiaries. If these put options were exercised, the Fresenius Group would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise.

The accrued contingent payments outstanding for acquisitions include €486 million at December 31, 2020 (2019: €476 million) for the acquisition of the biosimilars business.

23. DEBT

SHORT-TERM DEBT

As of December 31, short-term debt consisted of the following:

€ in millions	Book value 2020	Book value 2019
Fresenius SE & Co. KGaA Commercial Paper	**30**	953
Fresenius Medical Care AG & Co. KGaA Commercial Paper	**20**	1,000
Other short-term debt	**195**	522
Short-term debt	**245**	2,475

Other short-term debt mainly consists of borrowings by certain entities of the Fresenius Group under lines of credit with commercial banks. The average interest rates on the borrowings at December 31, 2020 and 2019 were 2.25% and 1.15%, respectively

LONG-TERM DEBT

As of December 31, long-term debt net of debt issuance costs consisted of the following:

€ in millions	Book value 2020	Book value 2019
Fresenius Medical Care Credit Agreement	**1,162**	1,901
Fresenius Credit Agreement	**1,793**	1,976
Schuldschein Loans	**1,793**	2,180
Accounts Receivable Facility of Fresenius Medical Care	**0**	380
Other	**406**	572
Subtotal	**5,154**	7,009
less current portion	**1,132**	892
Long-term debt, less current portion	**4,022**	6,117

Fresenius Medical Care Credit Agreement

Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) originally entered into a syndicated credit facility (Fresenius Medical Care 2012 Credit Agreement) of US$3,850 million and a 5-year tenor on October 30, 2012. In the years 2014 and 2017, various amendments of the Fresenius Medical Care Credit Agreement were made. These related to the amount and structure of the available tranches, among other items. In addition, the terms have been extended.

The following tables show the available and outstanding amounts under the Fresenius Medical Care Credit Agreement at December 31:

	2020			
	Maximum amount available	€ in millions	**Balance outstanding**	**€ in millions**
Revolving Credit Facility (in US$) 2017/2022	US$900 million	734	**US$0 million**	**0**
Revolving Credit Facility (in €) 2017/2022	€600 million	600	**€0 million**	**0**
Term Loan (in US$) 2017/2022	US$1,110 million	904	**US$1,110 million**	**904**
Term Loan (in €) 2017/2022	€259 million	259	**€259 million**	**259**
Total		2,497		**1,163**
less financing cost				**1**
Total				**1,162**

	2019			
	Maximum amount available	€ in millions	**Balance outstanding**	**€ in millions**
Revolving Credit Facility (in US$) 2017/2022	US$900 million	801	**US$139 million**	**123**
Revolving Credit Facility (in €) 2017/2022	€600 million	600	**€0 million**	**0**
Term Loan (in US$) 2017/2022	US$1,230 million	1,095	**US$1,230 million**	**1,095**
Term Loan (in €) 2017/2020	€400 million	400	**€400 million**	**400**
Term Loan (in €) 2017/2022	€287 million	287	**€287 million**	**287**
Total		3,183		**1,905**
less financing cost				**4**
Total				**1,901**

Interest on the credit facilities is floating at a rate equal to EURIBOR/LIBOR (as applicable) plus an applicable margin. The applicable margin is variable and depends on Fresenius Medical Care's consolidated net leverage ratio which is a ratio of its consolidated funded debt less cash and cash equivalents to consolidated EBITDA (as these terms are defined in the Fresenius Medical Care Credit Agreement). As of December 31, 2020 and 2019, the U.S. dollar denominated tranches outstanding under the Fresenius Medical Care Credit Agreement had a weighted-average interest rate of 1.21% and 3.24%, respectively. As of December 31, 2020 and 2019, the euro denominated tranches had a weighted-average interest rate of 0.88% and 0.93%, respectively.

The Fresenius Medical Care Credit Agreement contains affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries. Under certain circumstances, these covenants limit indebtedness and restrict the creation of liens. Under the Fresenius Medical Care Credit Agreement, FMC-AG & Co. KGaA is required to comply with a maximum leverage ratio (ratio of net debt to EBITDA).

The Term Loan of FMC-AG & Co. KGaA in the amount of €400 million originally due on July 30, 2020, was prematurely redeemed on May 29, 2020.

As of December 31, 2020, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care Credit Agreement.

Fresenius Credit Agreement

On December 20, 2012, Fresenius SE & Co. KGaA and various subsidiaries entered into a delayed draw syndicated credit agreement (2013 Credit Agreement) in the original amount of US$1,300 million and €1,250 million. Since the initial funding of the Credit Agreement in June 2013, additional tranches were added. Furthermore, scheduled amortization payments as well as voluntary repayments have been made. In August 2017, the Credit Agreement was refinanced and replaced by new tranches with a total amount of approximately €3,800 million.

The following tables show the available and outstanding amounts under the Fresenius Credit Agreement at December 31:

	2020			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facility (in €) 2017/2022	€1,100 million	1,100	**€0 million**	**0**
Revolving Credit Facility (in US$) 2017/2022	US$500 million	407	**US$0 million**	**0**
Term Loan (in €) 2017/2021	€750 million	750	**€750 million**	**750**
Term Loan (in €) 2017/2022	€675 million	675	**€675 million**	**675**
Term Loan (in US$) 2017/2022	US$455 million	371	**US$455 million**	**371**
Total		3,303		**1,796**
less financing cost				**3**
Total				**1,793**

	2019			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facility (in €) 2017/2022	€1,100 million	1,100	**€0 million**	**0**
Revolving Credit Facility (in US$) 2017/2022	US$500 million	446	**US$0 million**	**0**
Term Loan (in €) 2017/2021	€750 million	750	**€750 million**	**750**
Term Loan (in €) 2017/2022	€775 million	775	**€775 million**	**775**
Term Loan (in US$) 2017/2022	US$515 million	458	**US$515 million**	**458**
Total		3,529		**1,983**
less financing cost				**7**
Total				**1,976**

Interest on the credit facilities is floating at a rate equal to EURIBOR/LIBOR (as applicable) plus an applicable margin. The applicable margin is variable and depends on the consolidated leverage ratio of Fresenius SE & Co. KGaA and its subsidiaries (as defined in the Fresenius Credit Agreement).

The Fresenius Credit Agreement contains a number of customary affirmative and negative covenants. Under certain conditions, these covenants include limitations on liens and incurrence of debt. The Fresenius Credit Agreement also requires Fresenius SE & Co. KGaA and its subsidiaries to maintain a maximum leverage ratio.

The euro denominated loan in the amount of €750 million due on September 28, 2021, is shown as current portion of long-term debt in the consolidated statement of financial position as of December 31, 2020.

As of December 31, 2020, the Fresenius Group was in compliance with all covenants under the Fresenius Credit Agreement.

Schuldschein Loans

As of December 31, Schuldschein Loans of the Fresenius Group net of debt issuance costs consisted of the following:

				Book value € in millions	
	Notional amount	Maturity	Interest rate fixed/variable	**2020**	2019
Fresenius SE & Co. KGaA 2014/2020	€106 million	April 2, 2020	2.67%	**0**	106
Fresenius SE & Co. KGaA 2017/2022	€372 million	Jan. 31, 2022	0.93% / variable	**372**	371
Fresenius SE & Co. KGaA 2015/2022	€21 million	April 7, 2022	1.61%	**21**	21
Fresenius SE & Co. KGaA 2019/2023	€378 million	Sept. 25, 2023	0.55% / variable	**377**	377
Fresenius SE & Co. KGaA 2017/2024	€421 million	Jan. 31, 2024	1.40% / variable	**420**	420
Fresenius SE & Co. KGaA 2019/2026	€238 million	Sept. 23, 2026	0.85% / variable	**238**	238
Fresenius SE & Co. KGaA 2017/2027	€207 million	Jan. 29, 2027	1.96% / variable	**207**	207
Fresenius SE & Co. KGaA 2019/2029	€84 million	Sept. 24, 2029	1.10%	**84**	84
Fresenius US Finance II, Inc. 2016/2021	US$33 million	March 10, 2021	2.66%	**27**	304
Fresenius US Finance II, Inc. 2016/2023	US$58 million	March 10, 2023	3.12% / variable	**47**	52
Schuldschein Loans				**1,793**	2,180

The variable tranche of US$308.5 million of the Schuldschein Loans of Fresenius US Finance II, Inc. in the amount of US$342 million which were originally due on March 10, 2021, were prematurely redeemed at December 10, 2020. The remaining Schuldschein Loans in the amount of US$33 million due on March 10, 2021, are shown as current portion of long-term debt in the consolidated statement of financial position as of December 31, 2020.

The Schuldschein Loans of Fresenius SE & Co. KGaA with fixed interest rates in the amount of €106 million which were due on April 2, 2020 were redeemed at maturity.

The Schuldschein Loans of Fresenius SE & Co. KGaA issued before 2019 are guaranteed under certain conditions by Fresenius Kabi AG and Fresenius ProServe GmbH.

The Schuldschein Loans of Fresenius US Finance II, Inc. are guaranteed by Fresenius SE & Co. KGaA, Fresenius Kabi AG and Fresenius ProServe GmbH.

As of December 31, 2020, the Fresenius Group was in compliance with all of its covenants under the Schuldschein Loans.

Accounts Receivable Facility of Fresenius Medical Care

On December 20, 2018, the asset securitization facility (Accounts Receivable Facility) of Fresenius Medical Care was refinanced, increasing the facility to US$900 million (€786 million) and extending it until December 20, 2021.

At December 31, 2020, there were no outstanding borrowings under the Accounts Receivable Facility (2019: US$427 million (€380 million)). In the amounts shown, debt issuance costs are not included. Fresenius Medical Care had letters of credit outstanding under the Accounts Receivable Facility in the amount of US$13 million (€10 million) at December 31, 2020 and US$23 million (€21 million) at December 31, 2019. These letters of credit are not included above as part of the balance outstanding at December 31, 2020, however, they reduce available borrowings under the Accounts Receivable Facility.

Under the Accounts Receivable Facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly owned subsidiary of Fresenius Medical Care. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors (and their conduit affiliates). Under the terms of the Accounts Receivable Facility, NMC Funding retains the rights in the underlying cash flows of the transferred receivables. Interest is remitted to the bank investors at the end of each tranche period, however, the principal cash flows are continuously reinvested to purchase additional interests in the receivables. Furthermore, NMC Funding retains significant risks and rewards in the receivables as the percentage ownership interest assigned requires Fresenius Medical Care to retain first loss risk in those receivables, and Fresenius Medical Care can, at any time, recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the consolidated statement of financial position and the proceeds from the transfer of percentage ownership interests are recorded as long-term debt.

NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. At December 31, 2019, the average interest rate paid was 1.98%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

CREDIT LINES AND OTHER SOURCES OF LIQUIDITY

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part, as of the reporting date. At December 31, 2020, the additional financial cushion resulting from unutilized credit facilities was approximately €5.6 billion. Syndicated credit facilities accounted for €2.8 billion. This portion is comprised of the Fresenius Medical Care Credit Agreement in the amount of €1.3 billion and the Fresenius Credit Agreement in the amount of €1.5 billion. Furthermore, committed and uncommitted bilateral facilities of approximately €2.7 billion were available. They include credit facilities which certain entities of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

In addition, Fresenius SE & Co. KGaA has a commercial paper program under which up to €1,000 million in short-term notes can be issued. As of December 31, 2020, the commercial paper program of Fresenius SE & Co. KGaA was utilized in the amount of €30 million.

Fresenius Medical Care can also issue short-term notes of up to €1,000 million under a commercial paper program. As of December 31, 2020, the commercial paper program of Fresenius Medical Care AG & Co. KGaA was utilized in the amount of €20 million.

Additional financing of up to US$900 million (€733 million) can be provided using the Fresenius Medical Care Accounts Receivable Facility which had been utilized with US$13 million (€10 million) as of December 31, 2020.

24. BONDS

Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA each can issue bonds with different maturities under their existing debt issuance programs of €10 billion each. In 2020, the proceeds of the financing activities were mainly used for general corporate purposes, including refinancing of existing financial liabilities.

As of December 31, bonds of the Fresenius Group net of debt issuance costs consisted of the following:

				Book value € in millions	
	Notional amount	Maturity	Interest rate	**2020**	2019
Fresenius Finance Ireland PLC 2017/2022	€700 million	Jan. 31, 2022	0.875%	**699**	698
Fresenius Finance Ireland PLC 2017/2024	€700 million	Jan. 30, 2024	1.50%	**698**	697
Fresenius Finance Ireland PLC 2017/2027	€700 million	Feb. 1, 2027	2.125%	**694**	693
Fresenius Finance Ireland PLC 2017/2032	€500 million	Jan. 30, 2032	3.00%	**495**	495
Fresenius SE & Co. KGaA 2013/2020	€500 million	July 15, 2020	2.875%	**0**	500
Fresenius SE & Co. KGaA 2014/2021	€450 million	Feb. 1, 2021	3.00%	**450**	448
Fresenius SE & Co. KGaA 2014/2024	€450 million	Feb. 1, 2024	4.00%	**450**	449
Fresenius SE & Co. KGaA 2019/2025	€500 million	Feb. 15, 2025	1.875%	**496**	495
Fresenius SE & Co. KGaA 2020/2026	€500 million	Sep. 28, 2026	0.375%	**495**	0
Fresenius SE & Co. KGaA 2020/2027	€750 million	Oct. 8, 2027	1.625%	**740**	0
Fresenius SE & Co. KGaA 2020/2028	€750 million	Jan. 15, 2028	0.750%	**744**	0
Fresenius SE & Co. KGaA 2019/2029	€500 million	Feb. 15, 2029	2.875%	**495**	494
Fresenius SE & Co. KGaA 2020/2033	€500 million	Jan. 28, 2033	1.125%	**497**	0
Fresenius US Finance II, Inc. 2014/2021	US$300 million	Feb. 1, 2021	4.25%	**244**	266
Fresenius US Finance II, Inc. 2015/2023	US$300 million	Jan. 15, 2023	4.50%	**243**	266
FMC Finance VII S.A. 2011/2021	€300 million	Feb. 15, 2021	5.25%	**299**	298
Fresenius Medical Care AG & Co. KGaA 2019/2023	€650 million	Nov 29, 2023	0.25%	**648**	647
Fresenius Medical Care AG & Co. KGaA 2018/2025	€500 million	July 11, 2025	1.50%	**497**	496
Fresenius Medical Care AG & Co. KGaA 2020/2026	€500 million	May 29, 2026	1.00%	**496**	0
Fresenius Medical Care AG & Co. KGaA 2019/2026	€600 million	Nov 30, 2026	0.625%	**594**	594
Fresenius Medical Care AG & Co. KGaA 2019/2029	€500 million	Nov 29, 2029	1.25%	**497**	497
Fresenius Medical Care AG & Co. KGaA 2020/2030	€750 million	May 29, 2030	1.50%	**745**	0
Fresenius Medical Care US Finance, Inc. 2011/2021	US$650 million	Feb. 15, 2021	5.75%	**529**	577
Fresenius Medical Care US Finance II, Inc. 2014/2020	US$500 million	Oct. 15, 2020	4.125%	**0**	445
Fresenius Medical Care US Finance II, Inc. 2012/2022	US$700 million	Jan. 31, 2022	5.875%	**570**	622
Fresenius Medical Care US Finance II, Inc. 2014/2024	US$400 million	Oct. 15, 2024	4.75%	**325**	354
Fresenius Medical Care US Finance III, Inc. 2019/2029	US$500 million	June 15, 2029	3.75%	**400**	436
Fresenius Medical Care US Finance III, Inc. 2020/2031	US$1,000 million	Feb. 16, 2031	2.375%	**807**	0
Bonds				**13,847**	10,467

FRESENIUS SE & CO. KGAA

On September 28, 2020, Fresenius SE & Co. KGaA placed bonds with an aggregate volume of €1,000 million. The bonds consist of 2 tranches with maturities of 6 years and 12 years and 4 months.

On April 8, 2020, Fresenius SE & Co. KGaA issued bonds with a volume of €750 million. The bonds have a maturity of seven and a half years.

On January 15, 2020, Fresenius SE & Co. KGaA issued bonds in the amount of €750 million. The bonds have a maturity of eight years.

The bonds issued by Fresenius SE & Co. KGaA in the amount of €500 million which were due on July 15, 2020, were redeemed at maturity.

As of December 31, 2020, the bonds issued by Fresenius SE & Co. KGaA in the amount of €450 million and the bonds issued by Fresenius US Finance II, Inc. in the amount of US$300 million, which were due on February 1, 2021, are shown as current portion of bonds in the consolidated statement of financial position. They were redeemed at maturity.

All bonds of Fresenius US Finance II, Inc. and of Fresenius Finance Ireland PLC are guaranteed by Fresenius SE & Co. KGaA. All bonds issued before 2019, 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 of Fresenius bonds 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 leaseback 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, 2020, the Fresenius Group was in compliance with all of its covenants.

FRESENIUS MEDICAL CARE AG & CO. KGAA

On September 16, 2020, Fresenius Medical Care US Finance III, Inc. issued bonds with a volume of US$1,000 million. The bonds have a maturity of 10 years and 5 months.

On May 29, 2020, Fresenius Medical Care AG & Co. KGaA placed bonds with an aggregate volume of €1,250 million. The bonds consist of 2 tranches with maturities of 6 and 10 years.

The bonds issued by Fresenius Medical Care US Finance II, Inc. in the amount of US$500 million, which were originally due on October 15, 2020, were redeemed prior to maturity on July 17, 2020. As of December 31, 2020, the bonds issued by FMC Finance VII S.A. in the amount of €300 million and the bonds issued by Fresenius Medical Care US Finance, Inc. in the amount of US$650 million, which were due on February 15, 2021, are shown as current portion of bonds in the consolidated statement of financial position. They were redeemed at maturity.

The bonds of Fresenius Medical Care US Finance, Inc., Fresenius Medical Care US Finance II, Inc., Fresenius Medical Care US Finance III, Inc. and FMC Finance VII S.A. (wholly owned subsidiaries of FMC-AG & Co. KGaA) are guaranteed jointly and severally by FMC-AG & Co. KGaA and Fresenius Medical Care Holdings, Inc. The issuers may redeem the bonds issued before 2018 and the bonds issued by Fresenius Medical Care US Finance III, Inc. since 2019 at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indentures.

The holders of Fresenius Medical Care bonds have the right to request that the respective issuers repurchase the respective bonds at 101% of principal plus accrued interest upon the occurrence of a change of control of FMC-AG & Co. KGaA followed by a decline in the rating of the respective bonds.

FMC-AG & Co. KGaA has agreed to a number of covenants to provide protection to the holders of bonds issued before 2018 which, under certain circumstances, restrict the scope of action of 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 leaseback 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, 2020, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all of their covenants under the bonds.

25. CONVERTIBLE BONDS

As of December 31, the convertible bonds of the Fresenius Group net of debt issuance costs consisted of the following:

	Notional amount	Maturity	Coupon	Current conversion price	Book value € in millions 2020	2019
Fresenius SE & Co. KGaA 2017/2024	€500 million	Jan. 31, 2024	0.000%	€105.8791	**474**	465
Fresenius Medical Care AG & Co. KGaA 2014/2020	€400 million	Jan. 31, 2020	0.000%		**0**	400
Convertible bonds					**474**	865

The fair value of the derivative embedded in the convertible bonds of Fresenius SE & Co. KGaA was €117 thousand at December 31, 2020. Fresenius SE & Co. KGaA purchased stock options (call options) with a corresponding fair value to hedge future fair value fluctuations of this derivative.

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

The convertible bonds issued by Fresenius Medical Care AG & Co. KGaA in the amount of €400 million which were due on January 31, 2020, were redeemed at maturity. There were no conversions.

26. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

The Fresenius Group recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Fresenius Group. Fresenius Group's pension plans are structured in accordance with the differing legal, economic and fiscal circumstances in each country. The Fresenius Group currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Fresenius Group is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Fresenius Group has funded defined benefit plans in particular in the United States, Norway, the United Kingdom, the Netherlands, Switzerland and Austria. Unfunded defined benefit plans are located in Germany and France.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under Fresenius Group's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefit obligations and the return on plan assets for that year. A company's pension liability is impacted by these actuarial gains or losses.

Related to defined benefit plans, the Fresenius Group is exposed to certain risks. Besides general actuarial risks, e.g. the longevity risk and the interest rate risk, the Fresenius Group is exposed to market risk as well as to investment risk.

In the case of Fresenius Group's funded plans, the defined benefit obligation is offset against the fair value of plan assets (deficit or surplus). A pension liability is recognized in the consolidated statement of financial position if the defined benefit obligation exceeds the fair value of plan assets. An asset is recognized and reported under other assets in the consolidated statement of financial position if the fair value of plan assets exceeds the defined benefit obligation and if the Fresenius Group has a right of reimbursement against the fund or a right to reduce future payments to the fund.

Under defined contribution plans, the Fresenius Group pays defined contributions to an independent third party as directed by the employee during the employee's service life which satisfies all obligations of the Fresenius Group to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Fresenius Group paid contributions upon leaving the Fresenius Group. The Fresenius Group has a main defined contribution plan in the United States.

DEFINED BENEFIT PENSION PLANS

At December 31, 2020, the defined benefit obligation (DBO) of the Fresenius Group of €2,086 million (2019: €2,132 million) included €522 million (2019: €626 million) funded by plan assets and €1,564 million (2019: €1,506 million) covered by pension liabilities. Furthermore, the pension liability contains benefit obligations offered by other subsidiaries of Fresenius Medical Care in an amount of €44 million (2019: €39 million). The current portion of the pension liability in an amount of €26 million (2019: €25 million) is recognized in the consolidated statement of financial position within short-term provisions and other short-term liabilities. The non-current portion of €1,582 million (2019: €1,520 million) is recorded as pension liability.

The major part of pension liabilities relates to Germany. At December 31, 2020, 83% of the pension liabilities were recognized in Germany and 14% predominantly in the rest of Europe and North America. 48% of the beneficiaries were located in North America, 37% in Germany and the remainder throughout the rest of Europe and other continents.

74% of the pension liabilities in an amount of €1,608 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 2016 (Pension Plan 2016), which applied for most of the German entities of the Fresenius Group for entries up until December 31, 2019 except Fresenius Helios and Fresenius Vamed. For new entrants from January 1, 2020 onwards, a new defined contribution plan applies for these entities. The remaining pension liabilities relate to individual plans from Fresenius Helios entities in Germany and non-German Group entities.

Plan benefits are generally based on an employee's years of service and final salary. Consistent with predominant practice in Germany, the benefit obligations of the

German entities of the Fresenius Group are unfunded. The German Pension Plan 2016 does not have a separate pension asset.

Fresenius Medical Care Holdings, Inc. (FMCH), a subsidiary of Fresenius Medical Care AG & Co. KGaA, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. FMCH has retained all employee benefit obligations as of the curtailment date. Each year, FMCH contributes to the plan covering United States employees at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In 2020, there was no minimum funding requirement for the defined benefit plan. FMCH voluntarily provided €10 million. Expected funding for 2021 is €1 million.

Controlling and managing the administration of the plan in the United States was delegated by Fresenius Medical Care to an administrative committee. This committee has the authority and discretion to manage the assets of the fund and to approve and adopt certain plan amendments. The board of directors of National Medical Care, Inc., a subsidiary of Fresenius Medical Care, reserves the right to approve or adopt all major plan amendments, such as termination, modification or termination of the future benefit accruals and plan mergers with other pension plans.

Benefit plans offered by other subsidiaries of Fresenius Medical Care outside of the United States, Germany and France contain separate benefit obligations. The total pension liability for these other plans was €44 million and €39 million at December 31, 2020 and 2019, respectively. The current pension liability of €4 million (2019: €4 million) is recognized as a current liability in the line item short-term provisions and other short-term liabilities. The non-current pension liability of €40 million (2019: €35 million) for these plans is recorded as pension liability in the consolidated statement of financial position.

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were €661 million. Benefit obligations relating to unfunded pension plans were €1,425 million.

The following table shows the changes in benefit obligations, the changes in plan assets, the deficit or surplus of the pension plans and the pension liability. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from Fresenius Group's funded benefit plans.

The pension liability has developed as follows:

€ in millions	2020	2019
Benefit obligations at the beginning of the year	**2,132**	1,787
Changes in entities consolidated	**5**	4
Foreign currency translation	**-40**	15
Service cost	**89**	66
Past service cost	**3**	-2
Settlements	**0**	-4
Net interest cost	**34**	49
Contributions by plan participants	**4**	4
Transfer of plan participants	**-101**	6
Remeasurements	**19**	293
Actuarial losses (gains) arising from changes in financial assumptions	**15**	292
Actuarial losses (gains) arising from changes in demographic assumptions	**1**	-4
Actuarial losses (gains) arising from experience adjustments	**3**	5
Benefits paid	**-59**	-86
Benefit obligations at the end of the year	**2,086**	2,132
thereof vested	**1,686**	1,772
Fair value of plan assets at the beginning of the year	**626**	565
Changes in entities consolidated	**0**	4
Foreign currency translation	**-31**	13
Actual return (cost) on plan assets	**44**	89
Interest income from plan assets	**12**	18
Actuarial gains (losses) arising from experience adjustments	**32**	71
Contributions by the employer	**21**	15
Contributions by plan participants	**4**	4
Transfer of plan participants	**-102**	4
Gains from divestitures	**0**	-1
Benefits paid	**-40**	-67
Fair value of plan assets at the end of the year	**522**	626
Net funded position as of December 31	**1,564**	1,506
Benefit plans offered by other subsidiaries	**44**	39
Pension liability as of December 31	**1,608**	1,545

The plan assets are neither invested in the Fresenius Group nor in related parties of the Fresenius Group.

As of December 31, 2020 and 2019, the fair value of plan assets did not exceed the benefit obligations in any pension plan. Furthermore, for the years 2020 and 2019, there were no effects from asset ceiling.

The discount rates for all plans are based upon yields of portfolios of highly rated debt instruments with maturities that mirror the plan's benefit obligation. Fresenius Group's discount rate is the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

in %	2020	2019
Discount rate	1.61	1.79
Rate of compensation increase	2.79	2.82
Rate of pension increase	1.36	1.61

Mainly changes in the discount factor, as well as inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2020 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses were €887 million (2019: €935 million).

Sensitivity analysis

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability as of December 31, 2020 as follows:

Development of pension liability € in millions	0.5 pp increase	0.5 pp decrease
Discount rate	-190	220
Rate of compensation increase	34	-34
Rate of pension increase	117	-103

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2020. The calculations were performed isolated for each significant actuarial parameter, in order to show the effect on the fair value of the pension liability separately. The sensitivity analysis for compensation increases and for pension increases excludes the U.S. pension plan, because it is frozen and therefore is not affected by changes from these two actuarial assumptions.

Further explanatory notes

Defined benefit pension plans' net periodic benefit costs of €114 million€ (2019: €91 million) were comprised of the following components:

€ in millions	2020	2019
Service cost	92	60
Net interest cost	22	31
Net periodic benefit cost	**114**	91

Net periodic benefit cost is allocated as personnel expense within cost of sales, selling expenses, general and administrative expenses as well as research and development expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the year ended December 31:

in %	2020	2019
Discount rate	2.03	2.77
Rate of compensation increase	2.89	2.80
Rate of pension increase	1.71	1.58

The following table shows the expected benefit payments for the next 10 years:

for the fiscal years	€ in millions
2021	52
2022	54
2023	56
2024	60
2025	64
2026 to 2030	370
Total expected benefit payments	656

At December 31, 2020 and at December 31, 2019, the weighted-average duration of the defined benefit obligation was 19 years, respectively.

The fair values of plan assets by categories were as follows:

€ in millions	December 31, 2020 Quoted prices in active markets for identical assets Level 1	December 31, 2020 Significant observable inputs Level 2	December 31, 2020 Significant unobservable inputs Level 3	December 31, 2020 Total	December 31, 2019 Quoted prices in active markets for identical assets Level 1	December 31, 2019 Significant observable inputs Level 2	December 31, 2019 Significant unobservable inputs Level 3	December 31, 2019 Total
Categories of plan assets								
Equity investments	**64**	**79**	**0**	**143**	95	77	0	172
Index funds[1]	**35**	**79**	**0**	**114**	66	77	0	143
Other equity investments	**29**	**0**	**0**	**29**	29	0	0	29
Fixed income investments	**109**	**192**	**7**	**308**	157	205	7	369
Government securities[2]	**25**	**0**	**0**	**25**	6	0	0	6
Corporate bonds[3]	**28**	**183**	**0**	**211**	87	203	0	290
Other fixed income investments[4]	**56**	**9**	**7**	**72**	64	2	7	73
Other[5]	**57**	**14**	**0**	**71**	71	14	0	85
Total	**230**	**285**	**7**	**522**	323	296	7	626

[1] This category is mainly comprised of low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, the MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.
[2] This category is primarily comprised of fixed income investments by the U.S. government and government sponsored entities.
[3] This category primarily represents investment grade bonds of U.S. issuers from diverse industries.
[4] This category is mainly comprised of private placement bonds as well as collateralized mortgage obligations as well as cash and funds that invest in U.S. treasury obligations directly or in U.S. treasury backed obligations.
[5] This category mainly represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.

The methods and inputs used to measure the fair value of plan assets are as follows:

Index funds are valued based on market quotes.

Other equity investments are valued at their market prices as of the date of the statement of financial position.

Government bonds are valued based on both market prices (Level 1) and market quotes (Level 2).

Corporate bonds and other bonds are valued based on market quotes as of the date of the statement of financial position.

Cash is stated at nominal value which equals the fair value.

U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market prices.

Plan investment policy and strategy in the United States

The Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class.

The overall investment strategy for the U.S. pension plan is to achieve a mix of approximately 99% of investments for long-term growth and income and 1% in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the plan investment policy and include well diversified index funds or funds targeting index performance.

The plan investment policy, utilizing a revised target investment allocation in a range around 26% equity and 74% fixed income investments, considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a custom index that reflects the asset class benchmarks and the target asset allocation. The plan investment policy does not allow investments in securities of Fresenius Medical Care AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, S & P 400 Mid-Cap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long-Corporate Bond Index, Bloomberg Barclays U.S. Corporate High Yield Index, and Bloomberg Barclays U.S. High Yield Fallen Angel 3% Capped Index.

The following schedule describes Fresenius Group's allocation for all of its funded plans.

in %	**Allocation 2020**	Allocation 2019	Target allocation
Equity investments	**27.45**	27.39	26.41
Fixed income investments	**59.08**	59.07	60.99
Other incl. real estate/fonds	**13.47**	13.54	12.60
Total	**100.00**	100.00	100.00

Contributions to plan assets for the fiscal year 2021 are expected to amount to €15 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2020 was €187 million (2019: €166 million). Of this amount, €100 million related to contributions by the Fresenius Group to several public supplementary pension funds for employees of Fresenius Helios. This includes €23 million for contributions related to financing the deficit of past service costs. Further €65 million related to contributions to the U.S. savings plan, which employees of Fresenius Medical Care Holdings, Inc. can join.

In accordance with applicable collective bargaining agreements, the Fresenius Group pays contributions for a given number of employees of Fresenius Helios to the Rheinische Zusatzversorgungskasse (a supplementary pension fund) and to other public supplementary pension funds (together referred to as ZVK ÖD) to complement statutory retirement pensions. Given that employees from multiple participating entities are insured by these ZVK ÖDs, these plans are considered Multi-Employer plans.

ZVK ÖDs are defined benefit plans according to IAS 19 since employees are entitled to the statutory benefits regardless of the amounts contributed. The plan assets of the fund necessary to evaluate and calculate the funded status of the Group cannot be obtained from the supplementary pension funds and therefore, due to the missing information about future payment obligations, the calculation of a pension liability in accordance with IAS 19 is not possible. Therefore, the obligation is accounted for as defined contribution plan in accordance with IAS 19.34a. The contributions are collected as part of a pay-as-you-go system and are based upon applying a fixed rate to given parts of the employees' gross remuneration.

Paid contributions are accounted for as personnel expenses within cost of sales, selling expenses as well as general and administrative expenses and amounted to €100 million in 2020 (2019: €94 million). Thereof, €57 million (2019: €51 million) were payments to Rheinische Zusatzversorgungskasse, to Versorgungsanstalt des Bundes und der Länder and to Zusatzversorgungskasse Wiesbaden (supplementary pension funds). The Group expects to contribute in 2021 €106 million (including payments relating to past service costs).

Under the U.S. savings plan, employees can deposit up to 75% of their pay up to an annual maximum of US$19,500 if under 50 years old (US$26,000 if 50 or over). Fresenius Medical Care will match 50% of the employee deposit up to a maximum company contribution of 3% of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2020 and 2019 was €65 million and €53 million, respectively.

27. NONCONTROLLING INTERESTS

As of December 31, noncontrolling interests in the Fresenius Group were as follows:

€ in millions	2020	2019
Noncontrolling interests in Fresenius Medical Care AG & Co. KGaA	7,600	8,174
Noncontrolling interests in VAMED Aktiengesellschaft	91	97
Noncontrolling interests in the business segments		
Fresenius Medical Care	1,116	1,269
Fresenius Kabi	129	121
Fresenius Helios	122	127
Fresenius Vamed	16	14
Total noncontrolling interests	**9,074**	9,802

For further financial information relating to Fresenius Medical Care see the consolidated segment reporting on pages 226 to 227.

Noncontrolling interests changed as follows:

€ in millions	2020
Noncontrolling interests as of December 31, 2019	**9,802**
Noncontrolling interests in profit	1,116
Purchase of noncontrolling interests	28
Stock options	9
Share buy-back program of Fresenius Medical Care AG & Co. KGaA	-248
Dividend payments	-592
Currency effects and other changes	-1,041
Noncontrolling interests as of December 31, 2020	**9,074**

28. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

As of January 1, 2020, the subscribed capital of Fresenius SE & Co. KGaA consisted of 557,379,979 bearer ordinary shares.

During the fiscal year 2020, 160,930 stock options were exercised. Consequently, as of December 31, 2020, the subscribed capital of Fresenius SE & Co. KGaA consisted of 557,540,909 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

AUTHORIZED CAPITAL

Currently, Fresenius SE & Co. KGaA has a statutory Authorized Capital in the nominal amount of €125,000,000.

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.

CONDITIONAL CAPITAL

In order to fulfill the subscription right under the current stock option plan 2013 of Fresenius SE & Co. KGaA, Conditional Capital IV exists (see note 36, Share-based compensation plans). Another Conditional Capital III exists for the authorization to issue option bearer bonds and/or convertible bonds.

The following table shows the development of the Conditional Capital:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003 (expired)	4,735,083
Conditional Capital II Fresenius SE Stock Option Plan 2008 (expired)	3,452,937
Conditional Capital III option bearer bonds and/or convertible bonds	48,971,202
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	23,947,021
Total Conditional Capital as of January 1, 2020	**81,106,243**
Fresenius SE & Co. KGaA Stock Option Plan 2013 – options exercised	-160,930
Total Conditional Capital as of December 31, 2020	**80,945,313**

As of December 31, 2020, the Conditional Capital was composed as follows:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003 (expired)	4,735,083
Conditional Capital II Fresenius SE Stock Option Plan 2008 (expired)	3,452,937
Conditional Capital III option bearer bonds and/or convertible bonds	48,971,202
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	23,786,091
Total Conditional Capital as of December 31, 2020	**80,945,313**

CAPITAL RESERVES

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

OTHER RESERVES

Other reserves are comprised of earnings generated by Group entities in prior years to the extent that they have not been distributed.

DIVIDENDS

Under the German Stock Corporation Act (AktG), the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius SE & Co. KGaA as reported in its statement of financial position determined in accordance with the German Commercial Code (HGB).

In August 2020, a dividend of €0.84 per bearer ordinary share was approved by Fresenius SE & Co. KGaA's shareholders at the Annual General Meeting and paid afterwards. The total dividend payment was €468 million.

TREASURY STOCK OF FRESENIUS MEDICAL CARE

In 2020, Fresenius Medical Care repurchased 5,687,473 ordinary shares for an amount of €366 million.

On April 1, 2020, Fresenius Medical Care concluded the current share buy-back program.

29. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) is comprised of all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value as well as the change in benefit obligation.

Changes in the components of other comprehensive income (loss) in 2020 and 2019 were as follows:

€ in millions	Amount before taxes	Tax effect	Amount after taxes
Positions which will be reclassified into net income in subsequent years			
Cash flow hedges	-13	3	-10
Change in unrealized gains/losses	-26	6	-20
Realized gains/losses due to reclassifications	13	-3	10
Foreign currency translation	398	1	399
Positions which will not be reclassified into net income in subsequent years			
FVOCI equity investments	9	-3	6
Actuarial gains/losses on defined benefit pension plans	-222	58	-164
Total changes 2019	**172**	**59**	**231**
Positions which will be reclassified into net income in subsequent years			
Cash flow hedges	5	-1	4
Change in unrealized gains/losses	8	-1	7
Realized gains/losses due to reclassifications	-3	0	-3
FVOCI debt instruments	30	-5	25
Foreign currency translation	-2,075	-5	-2,080
Positions which will not be reclassified into net income in subsequent years			
FVOCI equity investments	4	-1	3
Equity method investees - share of OCI	58	0	58
Actuarial gains/losses on defined benefit pension plans	28	-7	21
Total changes 2020	**-1,950**	**-19**	**-1,969**

OTHER NOTES

30. COMMITMENTS AND CONTINGENCIES

As of December 31, 2020, future investment commitments existed up to the year 2024 from the acquisition contracts for hospitals at projected costs of up to €124 million. Thereof €66 million relate to the year 2021.

Besides the above-mentioned contingent liabilities, the current estimated amount of Fresenius Group's other known individual contingent liabilities is immaterial.

LEGAL AND REGULATORY MATTERS

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

Damages litigation Akorn, Inc.

On April 24, 2017, Fresenius announced that Fresenius Kabi has agreed to acquire Akorn, Inc. (Akorn), a U.S.-based manufacturer and marketer of prescription and over-the-counter pharmaceutical products, for approximately US$4.3 billion, or US$34 per share, plus the prevailing net debt at closing of the transaction.

Fresenius conducted an independent investigation, using external experts, into alleged breaches of FDA data integrity requirements relating to product development at Akorn.

Fresenius decided on April 22, 2018 to terminate the merger agreement with Akorn, due to Akorn's failure to fulfill several closing conditions.

Fresenius' decision was based on, among other factors, material breaches of FDA data integrity requirements relating to Akorn's operations found during Fresenius' independent investigation. Fresenius offered to delay its decision in order to allow Akorn additional opportunity to complete its own investigation and present any information it wished Fresenius to consider, but Akorn declined that offer.

Akorn disagreed with Fresenius' position and filed a lawsuit on April 23, 2018 purporting to enforce the merger agreement.

Fresenius filed a counterclaim on April 30, 2018. The trial of the lawsuit took place in the Delaware Court of Chancery from July 9 to 13 and on August 23, 2018.

On October 1, 2018, the Court of Chancery in the U.S. state of Delaware ruled in favor of Fresenius in the lawsuit by Akorn, Inc. against Fresenius for the consummation of the April 2017 merger agreement.

Akorn appealed on October 18, 2018 against this ruling to the Delaware Supreme Court. On December 7, 2018, the Delaware Supreme Court, being the highest court and final instance in Delaware, affirmed the ruling of the Court of Chancery in favor of Fresenius. Fresenius has sued Akorn for damages suffered as a result of lost acquisition expenses.

The lawsuit is pending before the Delaware Court of Chancery in the United States but was stayed due to Akorn filing for bankruptcy under Chapter 11. In Akorn's bankruptcy plan, Fresenius Kabi was ranked in a class alongside Akorn's shareholders, which is subordinated to that of a general unsecured creditor. Fresenius Kabi's challenge against this classification was unsuccessful. Consequently, recovery would only be available for general unsecured creditors on the basis of Akorn's plan and disclosure, as was approved by the bankruptcy court. This may result in Fresenius Kabi obtaining a very low quota or a complete loss of recovery despite a favorable judgment in the damages proceeding. Fresenius Kabi has thus preserved the issue of reclassification in the event further proceedings in the bankruptcy identify a source of funding for general unsecured claims.

Internal review / FCPA Compliance

Beginning in 2012, Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) received certain communications alleging conduct in countries outside the United States that might violate the Foreign Corrupt Practices Act (FCPA) or other antibribery laws. FMC-AG & Co. KGaA conducted investigations with the assistance of outside counsel and, in a continuing dialogue, advised the Securities and Exchange Commission (SEC) and the United States Department of Justice (DOJ) about these investigations. The DOJ and the SEC also conducted their own investigations, in which FMC-AG & Co. KGaA cooperated.

In the course of this dialogue, FMC-AG & Co. KGaA identified and reported to the DOJ and the SEC, and took remedial actions with respect to, conduct that resulted in the DOJ and the SEC seeking monetary penalties including disgorgement of profits and other remedies. This conduct revolved principally around FMC-AG & Co. KGaA's products business in countries outside the United States. On March 29, 2019, FMC-AG & Co. KGaA entered into a non-prosecution agreement (NPA) with the DOJ and a separate agreement with the SEC intended to resolve fully and finally the U.S. government allegations against FMC-AG & Co. KGaA arising from the investigations. Both agreements included terms starting August 2, 2019. The DOJ NPA is scheduled to terminate on August 2, 2022 and the dismissal of the SEC Order is scheduled to be on November 30, 2022. FMC-AG & Co. KGaA paid a combined total in penalties and disgorgement of approximately US$232 million (€206 million) to the DOJ and the SEC in connection with these agreements. The entire amount paid to the DOJ and the SEC was reserved for in charges that FMC-AG & Co. KGaA recorded in 2017 and 2018 and announced in 2018. As part of the resolution, FMC-AG & Co. KGaA agreed to certain self-reporting obligations and to retain an independent compliance monitor. Due to COVID-19 pandemic restrictions, the monitorship program faced certain delays, but FMC-AG & Co. KGaA is working to have all its obligations under the resolution with the DOJ and SEC finalized in 2022.

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

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

On October 30, 2020, Mexico's primary social security and health care agency filed a civil complaint in the United States District Court for the District of Massachusetts (Boston) asserting claims for common law fraud against FMC-AG & Co. KGaA and Fresenius Medical Care Holdings, Inc. (FMCH). 2020 Civ. 11927-IT (E. D. Mass.). The allegations of the complaint rely on FMC-AG & Co. KGaA's resolution under the FCPA. FMCH has been served and is proceeding to defend the litigation, initially by seeking dismissal based on improper venue and lack of jurisdiction. FMC-AG & Co. KGaA has not been served.

Product liability litigation

Personal injury and related litigation, including litigation by certain state government agencies, involving Fresenius Medical Care Holdings, Inc.'s (FMCH) acid concentrate product, labeled as Granuflo ® or Naturalyte ®, first arose in 2012. The matters remaining after judicial decisions favorable to FMCH and settlement, including most significantly the settlement in the federal multi-district personal injury litigation consummated in November 2017, do not present material risk. Accordingly, specific reporting on these matters has been discontinued.

FMCH's insurers agreed to the settlement of the acid concentrate personal injury litigation and funded US$220 million (€179 million) of the settlement fund under a reciprocal reservation of rights. FMCH accrued a net expense of US$60 million (€49 million) in connection with the settlement, including legal fees and other anticipated costs.

Following the settlement, FMCH's insurers in the AIG group initiated litigation against FMCH seeking to be indemnified by FMCH for their US$220 million (€179 million) outlay and FMCH initiated litigation against the AIG group to recover defense and indemnification costs FMCH had borne. National Union Fire Insurance v. Fresenius Medical Care, 2016 Index No. 653108 (Supreme Court of New York for New York County)).

Discovery in the litigation is largely complete. The AIG group abandoned certain of its coverage claims and submitted expert reports on damages asserting that, if AIG prevails on all its remaining claims, it should recover US$60 million (€49 million). FMCH contests all of AIG's claims and submitted expert reports supporting rights to recover US$108 million (€88 million) from AIG, in addition to the US$220 million (€179 million) already funded. A trial date has not been set in the matter.

Subpoena "Maryland"

In August 2014, Fresenius Medical Care Holdings, Inc. (FMCH) received a subpoena from the United States Attorney's Office (USAO) for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians involving contracts relating to the management of in-patient acute dialysis services. On August 27, 2020, after the USAO declined to pursue the matter by intervening, the United States District Court for Maryland unsealed a 2014 relator's qui tam complaint that gave rise to the investigation. United States ex rel. Martin Flanagan v. Fresenius Medical Care Holdings, Inc., 2014 Civ. 00665 (D. Maryland). The relator has served the complaint and litigation is proceeding. In response to FMCH's motion to dismiss the unsealed complaint, the relator filed an amended complaint on February 5, 2021 making broad allegations about financial relationships between FMCH and nephrologists.

Civil complaint "Hawaii"

In July 2015, the Attorney General for Hawaii issued a civil complaint under the Hawaii False Claims Act alleging a conspiracy pursuant to which certain Liberty Dialysis subsidiaries of Fresenius Medical Care Holdings, Inc. (FMCH) overbilled Hawaii Medicaid for Liberty's Epogen® administrations to Hawaii Medicaid patients during the period from 2006 through 2010, prior to the time of FMCH's acquisition of Liberty. Hawaii v. Liberty Dialysis – Hawaii, LLC et al., Case No. 15-1-1357-07 (Hawaii 1st Circuit). The State alleges that Liberty acted unlawfully by relying on incorrect and unauthorized billing guidance provided to Liberty by Xerox State Healthcare LLC, which acted as Hawaii's contracted administrator for its Medicaid program reimbursement operations during the relevant period. With discovery concluded, the State has specified that its demands for relief relate to US$7.7 million (€6.3 million) in overpayments on approximately twenty thousand "claims" submitted by Liberty. After prevailing on motions by Xerox to preclude it from doing so, FMCH is pursuing third-party claims for contribution and indemnification against Xerox. The State's False Claims Act complaint was filed after Liberty initiated an administrative action challenging the State's recoupment of alleged overpayments from sums currently owed to Liberty. The civil litigation and administrative action are proceeding in parallel. Trial in the civil litigation has been postponed because of COVID-19-related administrative issues and has been rescheduled for January 2022.

Subpoenas "Colorado and New York"

On August 31, 2015, Fresenius Medical Care Holdings, Inc. (FMCH) received a subpoena under the False Claims Act from the United States Attorney for the District of Colorado (Denver) inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. FMCH continues to cooperate in the

Denver United States Attorney's Office (USAO) investigation, which has come to focus on purchases and sales of minority interests in ongoing outpatient facilities between FMCH and physician groups.

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

Subpoena "Fresenius Vascular Care" (AAC)

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

Subpoena "Texas (Dallas)"

On June 30, 2016, Fresenius Medical Care Holdings, Inc. (FMCH) received a subpoena from the United States Attorney for the Northern District of Texas (Dallas) seeking information under the False Claims Act about the use and management of pharmaceuticals including Velphoro®. The investigation encompasses DaVita, Amgen, Sanofi, and other pharmaceutical manufacturers and includes inquiries into whether certain compensation transfers between manufacturers and pharmacy vendors constituted unlawful kickbacks. FMCH understands that this investigation is substantively independent of the US$63.7 million (€53.8 million) settlement by DaVita Rx announced on December 14, 2017 in the matter styled United States ex rel. Gallian v. DaVita Rx, 2016 Civ. 0943 (N.D. Tex.). FMCH believes that this investigation is no longer active as to FMCH and will cease reporting on it absent material developments.

Subpoena "New York" (Shiel)

On November 18, 2016, Fresenius Medical Care Holdings, Inc. (FMCH) received a subpoena under the False Claims Act from the United States Attorney for the Eastern District of New York (Brooklyn) seeking documents and information relating to the operations of Shiel Medical Laboratory, Inc. (Shiel), which FMCH acquired in October 2013. In the course of cooperating in the investigation and preparing to respond to the subpoena, FMCH identified falsifications and misrepresentations in documents submitted by a Shiel salesperson that relate to the integrity of certain invoices submitted by Shiel for laboratory testing for patients in long term care facilities. On February 21, 2017, FMCH terminated the employee and notified the United States Attorney of the termination and its circumstances. The terminated employee's conduct is expected to result in demands for FMCH to refund overpayments and to pay related penalties under applicable laws, but the monetary value of such payment demands cannot yet be reasonably estimated. FMCH contends that, under the asset sale provisions of its 2013 Shiel acquisition, it is not responsible for misconduct by the terminated employee or other Shiel employees prior to the date of the acquisition. The Brooklyn United States Attorney's Office continues to investigate a range of issues involving Shiel, including allegations of improper compensation (kickbacks) to physicians, and has disclosed that multiple sealed qui tam complaints underlie the investigation.

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

Subpoena "American Kidney Fund" / CMS Litigation

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

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

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

On January 3, 2017, FMCH received a subpoena from the United States Attorney for the District of Massachusetts under the False Claims Act inquiring into FMCH's interactions and relationships with the AKF, including FMCH's charitable contributions to the Fund and the Fund's financial assistance to patients for insurance premiums. Thereafter, FMCH cooperated in the investigation, the USAO declined to intervene in the relator's qui tam complaint that gave rise to the subpoena. On July 17, 2020, the relator filed a notice of dismissal without serving his complaint or otherwise pursuing his allegations and the court thereafter closed the case.

On April 8, 2019, United Healthcare initiated arbitration against FMCH alleging that FMCH unlawfully "steered" patients by waiving co-payments and other means away from coverage under government-funded insurance plans including Medicare into United Healthcare's commercial plans, including Affordable Care Act exchange plans. FMCH denied and contested United's claims. On September 16, 2020, FMCH and United entered a settlement agreement requiring (1) certain amendments to contracts between United and FMCH governing terms and conditions for dialysis treatments to be performed by FMCH for United beneficiaries and (2) dismissal of the arbitrations with each party to bear its own costs and expenses.

In consideration of the prolonged absence of federal government activity, changes in administration, and resolution of the United Healthcare dispute, FMC-AG & Co. KGaA believes that the previously reported matters involving charitable contributions do not present material risk. Accordingly, and absent new material developments, FMC-AG & Co. KGaA will cease reporting on them.

In early May 2017, the United States Attorney for the Middle District of Tennessee (Nashville) issued identical subpoenas to FMCH and two subsidiaries under the False Claims Act concerning FMCH's retail pharmaceutical business. The investigation is exploring allegations related to improper inducements to dialysis patients to fill oral prescriptions through FMCH's pharmacy service, improper billing for returned pharmacy products and other allegations similar to those underlying the US$63.7 million (€53.8 million) settlement by DaVita Rx in Texas announced on December 14, 2017. United States ex rel. Gallian, 2016 Civ. 00943 (N.D. Tex.). FMCH is cooperating in the Nashville investigation.

Vifor patent infringement Fresenius Medical Care (Delaware)

On March 12, 2018, Vifor Fresenius Medical Care Renal Pharma Ltd. and Vifor Fresenius Medical Care Renal Pharma France S.A.S. (collectively, VFMCRP) filed a complaint for patent infringement against Lupin Atlantis Holdings SA and Lupin Pharmaceuticals Inc. (collectively, Lupin), and Teva Pharmaceuticals USA, Inc. (Teva) in the U.S. District Court for the District of Delaware (Case 1:18-cv-00390-MN). The patent infringement action is in response to Lupin and Teva's filings of Abbreviated New Drug Applications (ANDA) with the U.S. Food and Drug Administration (FDA) for generic versions of Velphoro®. Velphoro® is protected by patents listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book. The complaint was filed within the 45-day period provided for under the Hatch-Waxman legislation, and triggered a stay of FDA approval of the ANDAs for 30 months (specifically, up to July 29, 2020 for Lupin's ANDA; and August 6, 2020 for Teva's ANDA). In response to another ANDA being filed for a generic Velphoro®, VFMCRP filed a complaint for patent infringement against Annora Pharma Private Ltd., and Hetero Labs Ltd. (collectively, Annora), in the U.S. District Court for the District of Delaware on December 17, 2018. The case was settled among the parties, thus terminating the court action on August 4, 2020.

On May 26, 2020, VFMCRP filed a further complaint for patent infringement against Lupin in the U.S. District Court for the District of Delaware (Case No. 1:20-cv-00697-MN) in response to Lupin's ANDA for a generic version of Velphoro® and on the basis of a newly listed patent in the Orange Book. On July 6, 2020, VFMCRP filed an additional complaint for patent infringement against Lupin and Teva in the U.S. District Court for the District of Delaware (Case No. 1:20-cv-00911-MN) in response to the companies' ANDA for generic versions of Velphoro® and on the basis of two newly listed patents in the Orange Book. All cases involving Lupin as defendant were settled among the parties, thus terminating the corresponding court actions on December 18, 2020.

Subpoena "Colorado (Denver)"

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

Litigation Tricare Program

On June 28, 2019, certain Fresenius Medical Care Holdings, Inc. (FMCH) subsidiaries filed a complaint against the United States seeking to recover monies owed to them by the United States Department of Defense under the Tricare program, and to preclude Tricare from recouping monies previously paid. Bio-Medical Applications of Georgia, Inc., et al. v. United States, CA 19-947, United States Court of Federal Claims. Tricare provides reimbursement for dialysis treatments and other medical care provided to members of the military services, their dependents and retirees. The litigation challenges unpublished administrative actions by Tricare administrators reducing the rate of compensation paid for dialysis treatments provided to Tricare beneficiaries based on a recasting or "crosswalking" of codes used and followed in invoicing without objection for many years. Tricare administrators have acknowledged the unpublished administrative action and declined to change or abandon it. On July 8, 2020, the U.S. government filed its answer (and confirmed their position). The parties will proceed to discovery. The court has not yet set a date for trial in this matter. FMCH has imposed a constraint on revenue otherwise recognized from the Tricare program that it believes, in consideration of facts currently known, sufficient to account for the risk of this litigation.

Dialysis Patient Citizens Litigation

On May 22, 2020, the Centers for Medicare and Medicaid (CMS) issued a final rule that, effective January 1, 2021, removes outpatient dialysis facilities from the time-and-distance standards applicable under the network adequacy rules for Medicare Advantage plans. On June 22, 2020, Dialysis Patient Citizens, a charitable patient advocacy organization, filed a lawsuit on behalf of all dialysis patients to challenge that rule, and on July 13, 2020, FMCH along with two other dialysis providers joined the lawsuit. Dialysis Patient Citizens, et al. v. Alex Azar, et al., U.S.D.C. D.C, 1:20-cv-01664. The plaintiffs sought to have the final rule regarding outpatient dialysis facilities vacated and to enjoin CMS from enforcing those provisions. On January 19, 2021, the court granted the defendant's motion to dismiss the case without prejudice.

Subpoena "Massachusetts ChoiceOne and Medspring"

On August 21, 2020, Fresenius Medical Care Holdings, Inc. (FMCH) was served with a subpoena from the United States Attorney for the District of Massachusetts requesting information and documents related to urgent care centers that FMCH owned, operated, or controlled as part of its ChoiceOne and Medspring urgent care operations prior to its divestiture of and exit from that line of business in 2018. The subpoena appears to be related to an ongoing investigation of alleged upcoding in the urgent care industry, which has resulted in certain published settlements under the federal False Claims Act. FMCH is cooperating in the investigation.

Subpoena "Nevada"

In November 2014, Fresenius Kabi Oncology Limited (FKOL) received a subpoena from the U.S. Department of Justice (DOJ), U.S. Attorney for the District of Nevada. The subpoena requested documents in connection with the January 2013 inspection by the U.S. Food and Drug Administration (FDA) of FKOL's plant for active pharmaceutical ingredients in Kalyani, India. That inspection resulted in a warning letter from the FDA in July 2013. The subpoena marked the DOJ's criminal and/or civil investigation in this connection and sought information from throughout the Fresenius Kabi group. Fresenius Kabi fully cooperated with the governmental investigation. In January 2021, Fresenius Kabi has entered into a final agreement (Plea Agreement) with the DOJ in which Fresenius Kabi undertakes to make a penalty payment of US$50 million. The payment would be made on the basis of an existing accrual. The agreement, which requires formal court sentencing, furthermore includes other measures to ensure that a misconduct of the nature detected in 2013 will not occur again in future.

Patent Dispute Fresenius Kabi France

Patent dispute between Fresenius Kabi and Eli Lilly in France and other European countries regarding Eli Lilly's originator product Alimta® and Fresenius Kabi's generic Pemetrexed sold in France and further countries in Europe. The Paris Tribunal has now rendered a decision in favor of Eli Lilly holding Fresenius Kabi France to infringe Eli Lilly's patent and to make a preliminary payment of €28 million for patent infringement and damages due to unfair competition, including lost sales and price decrease. This amount is covered by an existing higher accrual. The final amount of damages is to be determined through parties' negotiations on the basis of actual sales data to be disclosed by Fresenius Kabi and likely to significantly exceed the preliminary minimum payment ordered by the court. Fresenius Kabi France has appealed the judgment.

General risks

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

The Fresenius Group, like other health care providers, insurance plans and suppliers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of manufacturing facilities, laboratories, hospitals, dialysis clinics and other health care facilities, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the Fresenius Group could be subject to significant adverse regulatory actions by the U.S. Food and Drug Administration (FDA) and comparable regulatory authorities outside the United States. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority which may require the Fresenius Group to expend significant time and resources in order to implement appropriate corrective actions. If the Fresenius Group does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the United States, these regulatory authorities could take additional actions, including product recalls, injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of the Fresenius Group's products and/or criminal prosecution. Fresenius Medical Care Holdings, Inc. is currently engaged in remediation efforts with respect to one pending FDA warning letter, Fresenius Kabi with respect to two pending FDA warning letters. The Fresenius Group must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law, the federal Civil Monetary Penalties Law and the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Fresenius Group's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistleblower actions. By virtue of this regulatory environment, the Fresenius Group's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to the Fresenius Group's compliance with applicable laws and regulations. The Fresenius Group may not always be aware that an inquiry or action has begun, particularly in the case of whistleblower actions, which are initially filed under court seal.

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

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

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

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

31. LEASES

The Fresenius Group leases land, buildings and improvements, machinery and equipment, as well as IT- and office equipment under various lease agreements.

LEASES IN THE CONSOLIDATED STATEMENT OF INCOME

The following table shows the effects from lease agreements on the consolidated statements of income for 2020 and 2019:

€ in millions	2020	2019
Depreciation on right-of-use assets	877	855
Impairments on right-of-use assets	2	39
Expenses relating to short-term leases	67	72
Expenses relating to leases of low-value assets	46	42
Expenses relating to variable lease payments	22	22
Other expenses/income from lease agreements	-17	–
Interest expenses on lease liabilities	205	217

LEASES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, the acquisition costs and the accumulated depreciation of right-of-use assets consisted of the following:

ACQUISITION COSTS

€ in millions	As of January 1, 2020	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	**As of December 31, 2020**
Right-of-use assets: Land	112	-3	–	15	–	3	**121**
Right-of-use assets: Buildings and improvements	6,204	-403	29	983	-31	119	**6,663**
Right-of-use assets: Machinery and equipment	587	-37	1	89	-40	21	**579**
Right-of-use assets: Advanced Payments	–	–	0	–	–	–	**0**
Right-of-use assets	6,903	-443	30	1,087	-71	143	**7,363**

In the fiscal year 2020, reclassifications were mainly made to property, plant and equipment as the Fresenius Group purchased previously leased buildings and equipment from the landlords.

DEPRECIATION

€ in millions	As of January 1, 2020	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	**As of December 31, 2020**
Right-of-use assets: Land	9	–	–	9	–	–	**18**
Right-of-use assets: Buildings and improvements	765	-82	-6	726	3	30	**1,376**
Right-of-use assets: Machinery and equipment	170	-16	–	144	-4	16	**278**
Right-of-use assets: Advanced Payments	0	0	0	0	0	0	**0**
Right-of-use assets	944	-98	-6	879	-1	46	**1,672**

ACQUISITION COSTS

€ in millions	As of January 1, 2019	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	As of December 31, 2019
Right-of-use assets: Land	79	1	1	33	–	2	**112**
Right-of-use assets: Buildings and improvements	5,119	73	51	842	155	36	**6,204**
Right-of-use assets: Machinery and equipment	480	8	6	73	47	27	**587**
Right-of-use assets: Advanced Payments	1	–	0	–	-1	0	**–**
Right-of-use assets	5,679	82	58	948	201	65	**6,903**

DEPRECIATION

€ in millions	As of January 1, 2019	Foreign currency translation	Changes in consolidation	Additions	Reclassifications	Disposals	As of December 31, 2019
Right-of-use assets: Land	0	0	0	9	0	0	**9**
Right-of-use assets: Buildings and improvements	0	-2	-2	730	45	6	**765**
Right-of-use assets: Machinery and equipment	0	0	0	155	40	25	**170**
Right-of-use assets: Advanced Payments	0	0	0	0	0	0	**0**
Right-of-use assets	0	-2	-2	894	85	31	**944**

CARRYING AMOUNTS

€ in millions	December 31, 2020	December 31, 2019
Right-of-use assets: Land	**103**	103
Right-of-use assets: Buildings and improvements	**5,287**	5,439
Right-of-use assets: Machinery and equipment	**301**	417
Right-of-use assets: Advanced Payments	**0**	–
Right-of-use assets	**5,691**	5,959

Depreciation expense and impairments on right-of-use assets amounted to €879 million for the year ended December 31, 2020 (2019: €894 million). These expenses are allocated within costs of sales, selling, general and administrative and research and development expenses depending upon the area in which the asset is used.

As of December 31, 2020, lease liabilities comprised a current portion of €766 million (2019: €793 million) and a non-current portion of €5,422 million (2019: €5,646 million). In 2020, approximately 71% of the lease liabilities related to Fresenius Medical Care, approximately 16% to Fresenius Helios, approximately 7% to Fresenius Vamed and approximately 6% to Fresenius Kabi.

LEASES IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

Total cash outflows from leases were €1,212 million for the year ended December 31, 2020 (2019: €1,164 million).

In the consolidated statement of cash flows, the interest component of recognized leases is shown in net cash provided by/used in operating activities, the amortization component is shown in net cash provided by/used in financing activities.

The following potential future cash outflows were not reflected in the measurement of the lease liabilities:

	2020	2019
Potential cash outflows from:		
extension options	6,781	7,019
purchase options	267	271
leases that the Fresenius Group entered into as a lessee that have not yet begun	243	347
residual value guarantees	89	49
variable lease payments	67	86
penalty payments from the exercise of termination options	11	5

Potential future cash outflows resulting from the exercise of options were not reflected in the measurement of the lease liabilities if the exercise of the respective option was not considered reasonably certain.

The major part of the potential future cash outflows resulting from extension options relates to extension options in real estate lease agreements, primarily for dialysis clinics of Fresenius Medical Care in North America. Individual lease agreements include multiple extension options. The Fresenius Group uses extension options to obtain a high degree of flexibility in performing its business. These extension options held are exercisable solely by the Fresenius Group.

32. FINANCIAL INSTRUMENTS

VALUATION OF FINANCIAL INSTRUMENTS

Carrying amounts of financial instruments

As of December 31, the carrying amounts of financial instruments by item of the statement of financial position and structured according to categories were as follows:

€ in millions	December 31, 2020				Relating to no category		
	Carrying amount	Amortized cost	Fair value through profit and loss[1]	Fair value through other comprehensive income[2]	Derivatives designated as cash flow hedging instruments at fair value	Put option liabilities measured at fair value	Valuation according to IFRS 16 for leasing receivables and liabilities
Financial assets							
Cash and cash equivalents	1,837	1,271	566				
Trade accounts and other receivables, less allowances for expected credit losses	6,937	6,783	45	34			75
Accounts receivable from and loans to related parties	110	110					
Other financial assets[3]	2,111	1,190	357	447	8		109
Financial assets	**10,995**	**9,354**	**968**	**481**	**8**	**0**	**184**
Financial liabilities							
Trade accounts payable	1,816	1,816					
Short-term accounts payable to related parties	67	67					
Short-term debt	245	245					
Short-term debt from related parties	5	5					
Long-term debt	5,154	5,154					0
Long-term lease liabilities	6,188						6,188
Bonds	13,847	13,847					
Convertible bonds	474	474					
Other financial liabilities[4]	5,079	3,509	654		15	901	
Financial liabilities	**32,875**	**25,117**	**654**	**0**	**15**	**901**	**6,188**

[1] All included financial assets and liabilities are mandatorily measured at fair value through profit and loss according to IFRS 9.
[2] The option to measure equity instruments at fair value through other comprehensive income has been exercised. The option has been used for €149 million other investments (included in other financial assets).
[3] Other financial assets are included in the item other current and non-current assets in the consolidated statement of financial position.
[4] Other financial liabilities are included in the items short-term provisions and other short-term liabilities and long-term provisions and other long-term liabilities in the consolidated statement of financial position.

During the fiscal year 2020, no material reclassifications of financial instruments were required.

	December 31, 2019						
					Relating to no category		
€ in millions	Carrying amount	Amortized cost	Fair value through profit and loss[1]	Fair value through other comprehensive income[2]	Derivatives designated as cash flow hedging instruments at fair value	Put option liabilities measured at fair value	Valuation according to IFRS 16 for leasing receivables and liabilities
Financial assets							
Cash and cash equivalents	1,654	1,280	374				
Trade accounts and other receivables, less allowances for expected credit losses	7,176	7,037	28	33			78
Accounts receivable from and loans to related parties	100	100					
Other financial assets[3]	1,690	825	333	416	4		112
Financial assets	**10,620**	**9,242**	**735**	**449**	**4**	**0**	**190**
Financial liabilities							
Trade accounts payable	1,905	1,905					
Short-term accounts payable to related parties	46	46					
Short-term debt	2,475	2,475					
Short-term debt from related parties	3	3					
Long-term debt	7,009	7,009					
Long-term lease liabilities	6,439						6,439
Bonds	10,467	10,467					
Convertible bonds	865	865					
Other financial liabilities[4]	4,701	3,129	611		9	952	
Financial liabilities	**33,910**	**25,899**	**611**	**0**	**9**	**952**	**6,439**

[1] All included financial assets and liabilities are mandatorily measured at fair value through profit and loss according to IFRS 9.
[2] The option to measure equity instruments at fair value through other comprehensive income has been exercised. The option has been used for €154 million (included in other financial assets).
[3] Other financial assets are included in the item other current and non-current assets in the consolidated statement of financial position.
[4] Other financial liabilities are included in the items short-term provisions and other short-term liabilities and long-term provisions and other long-term liabilities in the consolidated statement of financial position.

Fair value of financial instruments

The following table shows the carrying amounts and the fair value hierarchy levels as of December 31:

€ in millions	December 31, 2020				December 31, 2019			
		Fair value				Fair value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
Financial assets								
Cash and cash equivalents[1]	566	566			374	374		
Trade accounts and other receivables, less allowances for expected credit losses[1]	79		79		61		61	
Other financial assets[1]								
Debt instruments	401	396	5		370	365	5	
Equity investments	393	12	162	219	369	13	173	183
Derivatives designated as cash flow hedging instruments	8		8		4		4	
Derivatives not designated as hedging instruments	10		10		10		10	
Financial liabilities								
Long-term debt	5,154		5,210		7,009		7,063	
Bonds	13,847	14,847			10,467	11,102		
Convertible bonds	474	490			865	896		
Other financial liabilities[1]								
Put option liabilities	901			901	952			952
Accrued contingent payments outstanding for acquisitions	581			581	595			595
Derivatives designated as cash flow hedging instruments	15		15		9		9	
Derivatives not designated as hedging instruments	73		73		16		16	

[1] Fair value information is not provided for financial instruments, if the carrying amount is a reasonable estimate of the fair value due to the relatively short period of maturity of these instruments.

The significant methods and assumptions used to estimate the fair values of financial instruments as well as classification of fair value measurements according to the three-tier fair value hierarchy are as follows:

Cash and cash equivalents include short-term financial investments that are measured at fair value through profit and loss. The fair value of these assets, which are quoted in an active market, is based on price quotations at the date of the consolidated financial statements (Level 1).

Trade accounts receivable from factoring contracts are measured on the basis of observable market information (Level 2).

The majority of debt instruments included in other financial assets are bonds that are quoted in an active market and therefore measured at fair value (Level 1) which is based on price quotations at the date of the consolidated financial statements. Further debt instruments give rise to cash flows on specified dates (Level 2).

The fair values of equity investments are based on observable market information (Level 2). From time to time the Fresenius Group engages external valuation firms to determine the fair value of Level 3 equity investments. The external valuation uses a discounted cash flow model, which includes significant unobservable inputs such as investment specific forecasted financial statements, weighted average cost of capital, that reflects current market assessments as well as a terminal growth rate. The fair values of other equity investments that are traded in an active market, are based on price quotations at the date of the consolidated financial statements (Level 1).

The fair values of major long-term financial instruments are calculated on the basis of market information. Liabilities for which market quotes are available are measured with the market quotes at the reporting date (Level 1). The fair values of the other long-term financial liabilities are calculated at the present value of respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the date of the statement of financial position are used (Level 2).

The valuation of the put option liabilities is determined using significant unobservable inputs (Level 3). From time to time, the Fresenius Group engages external valuation firms for these valuations. The method for calculating the fair value is described in note 1.III.q, Financial instruments. 98% of the put option liabilities related to Fresenius Medical Care at December 31, 2020.

Contingent payments outstanding for acquisitions are recognized at their fair value. The estimation of the individual fair values is based on the key inputs of the arrangement that determine the future contingent payment as well as the Fresenius Group's expectation of these factors (Level 3). The Fresenius Group assesses the likelihood and timing of achieving the relevant objectives. The underlying assumptions are reviewed regularly.

The following table shows the changes of the fair values of financial instruments classified as Level 3 in the fiscal year 2020:

€ in millions	Equity investments	Accrued contingent payments outstanding for acquisitions	Put option liabilities
As of January 1, 2020	**183**	**595**	**952**
Transfer from Level 2	7	1	0
Additions	0	26	51
Disposals	0	-73	-99
Gain/loss recognized in profit or loss	46	35	–
Gain/loss recognized in equity	0	0	74
Dividend payments	0	0	0
Currency effects and other changes	-17	-3	-77
As of December 31, 2020	**219**	**581**	**901**

Derivatives, mainly consisting of interest rate swaps and foreign exchange forward contracts, are valued as follows: The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the date of the statement of financial position. To determine the fair 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 date of the statement of financial position. The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

Fresenius Group's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit risk adjustments are factored into the valuation of derivatives that are assets. The Fresenius Group monitors and analyzes the credit risk from derivative financial instruments on a regular basis. For the valuation of derivative financial instruments, the credit risk is considered in the fair value of every individual instrument. The basis for the default probability are Credit Default Swap Spreads of each counterparty appropriate for the duration. The calculation of the credit risk considered in the valuation is done by multiplying the default probability appropriate for the duration with the expected discounted cash flows of the derivative financial instrument.

Derivatives not designated as hedging instruments comprise derivatives embedded in convertible bonds and call options which have been purchased to hedge the convertible bonds. The fair value of the embedded derivatives is calculated using the difference between the market value of the particular convertible bonds and the market value of an adequate straight bond discounted with the market interest rates as of the reporting date. The fair value of the call options is calculated from price quotations.

The calculation of the fair value of derivative financial instruments is based on other observable inputs. Therefore, these are classified as Level 2 in accordance with the defined fair value hierarchy levels.

Derivative financial instruments are marked to market each reporting period, resulting in carrying amounts equal to fair values at the reporting date.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2020		December 31, 2019	
€ in millions	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate contracts (non-current)	**0**	**0**	1	0
Foreign exchange contracts (current)	**8**	**15**	3	9
Foreign exchange contracts (non-current)	**–**	**–**	0	–
Derivatives in cash flow hedging relationships	**8**	**15**	4	9
Interest rate contracts (current)	**0**	**0**	0	–
Interest rate contracts (non-current)	**0**	**–**	0	–
Foreign exchange contracts (current)	**10**	**73**	8	14
Derivatives embedded in the convertible bonds	**0**	**–**	0	2
Call options to secure the convertible bonds	**–**	**0**	2	0
Derivatives not designated as hedging instruments	**10**	**73**	10	16

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely entered into to hedge economic business transactions and not for speculative purposes.

The current portion of derivatives indicated as assets in the preceding table is recognized within other current assets in the consolidated statement of financial position, while the current portion of those indicated as liabilities is included in short-term provisions and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized in other non-current assets or in long-term provisions and other long-term liabilities, respectively. The derivatives embedded in the convertible bonds and the call options to secure the convertible bonds are recognized in other current and non-current liabilities/assets in the consolidated statement of financial position.

To reduce the credit risk arising from derivatives, the Fresenius Group concluded master netting agreements with banks. Through such agreements, positive and negative fair values of the derivative contracts could be offset against one another if a partner becomes insolvent. This offsetting is valid for transactions where the aggregate amount of obligations owed to and receivable from are not equal. If insolvency occurs, the party which owes the larger amount is obliged to pay the other party the difference between the amounts owed in the form of one net payment.

These master netting agreements do not provide a basis for offsetting the fair values of derivative financial instruments in the consolidated statement of financial position as the offsetting criteria under International Financial Reporting Standards are not satisfied.

At December 31, 2020 and December 31, 2019, the Fresenius Group had €16 million and €11 million of derivative financial assets subject to netting arrangements and €87 million and €22 million of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €7 million and €6 million as well as net liabilities of €78 million and €17 million at December 31, 2020 and December 31, 2019, respectively.

The following table shows when the cash flow from derivative financial instruments is expected to occur.

CASH FLOW FROM DERIVATIVE FINANCIAL INSTRUMENTS

	expected in period of			
€ in millions	1 year	1 to 3 years	3 to 5 years	over 5 years
Foreign exchange contracts	-7	–	0	0
Derivatives in cash flow hedging relationships	**-7**	**–**	**0**	**0**
Interest rate contracts	–	–	0	0
Foreign exchange contracts	-63	0	0	0
Derivatives not designated as hedging instruments	**-63**	**–**	**0**	**0**

Effects of financial instruments recorded in the consolidated statement of income

The net gains and losses from financial instruments consisted of allowances for expected credit losses in an amount of €94 million and foreign currency transactions of -€41 million. Interest income of €93 million resulted mainly from the valuation of the derivatives embedded in the convertible bonds of Fresenius SE & Co. KGaA, trade accounts and other receivables and loans to related parties. Interest expense of €752 million resulted mainly from Fresenius Group's financial liabilities, which are recognized at amortized cost. Moreover, €205 million related to lease liabilities.

During 2020, the Fresenius Group recognized gains of approximately €46 million from changes in the fair value of equity investments that are measured at fair value through profit and loss within other operating income. Expenses in an amount of €35 million resulted from the valuation of contingent payments outstanding.

Income and expense from financial instruments recorded in other comprehensive income (loss) related to derivatives in cash flow hedging relationships and to equity investments and debt instruments measured at fair value through other comprehensive income.

The changes of cash flow hedges on the consolidated statement of comprehensive income (loss) before tax for the years 2020 and 2019 are as follows:

EFFECT OF DERIVATIVES ON THE CUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	2020				
	Cash Flow Hedge Reserve		Costs of Hedging Reserve		
€ in millions	Changes of the unrealized gains/losses in other comprehensive income (loss)	Reclassifications from other comprehensive income (loss)[1]	Changes of the unrealized gains/losses in other comprehensive income (loss)	Reclassifications from other comprehensive income (loss)[1]	Affected line item in the consolidated statement of income/consolidated statement of financial position
Interest rate contracts	-1	2	n.a.	n.a.	Interest income/expense
Foreign exchange contracts	10	-8	-1	3	
thereof		-5		2	Sales
		-2		4	Cost of sales
		-1		0	General and administrative expenses
		–		-1	Other operating income/expenses
		0		-2	Interest income/expense
		–		–	Inventories
Derivatives in cash flow hedging relationships	**9**	**-6**	**-1**	**3**	

	2019				
	Cash Flow Hedge Reserve		Costs of Hedging Reserve		
€ in millions	Changes of the unrealized gains/losses in other comprehensive income (loss)	Reclassifications from other comprehensive income (loss)[1]	Changes of the unrealized gains/losses in other comprehensive income (loss)	Reclassifications from other comprehensive income (loss)[1]	Affected line item in the consolidated statement of income/consolidated statement of financial position
Interest rate contracts	-17	3	n.a.	n.a.	Interest income/expense
Foreign exchange contracts	-9	10	–	–	
thereof		1		2	Sales
		5		–	Cost of sales
		1		–	General and administrative expenses
		3		1	Other operating income/expenses
		0		-3	Interest income/expense
		–		–	Inventories
Derivatives in cash flow hedging relationships	**-26**	**13**	**–**	**–**	

[1] In the consolidated statement of income, no gains or losses from ineffectiveness and only immaterial gains/losses from a hedged underlying transaction, that is no longer expected to occur, are recognized. Gains are shown with a negative sign and losses with a positive sign.

The Fresenius Group solely designates the spot element of the foreign exchange forward contracts as hedging instrument in cash flow hedges. Changes of the fair value of derivative financial instruments that are designated as cash flow hedges are recorded within other comprehensive income (loss).

The effective portion of changes in fair value of the spot element of the hedging instruments is accumulated in a cash flow hedge reserve as a separate component within other comprehensive income (loss). The forward points of the foreign exchange forward contract is separately accounted for as cost of hedging reserve within other comprehensive income (loss).

For all cash flow hedges, except for foreign currency risk associated with forecasted purchases of non-financial assets, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged forecasted cash flows affect profit or loss. For cash flow hedges of foreign currency risk associated with forecasted purchases of non-financial assets, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the asset when it is recognized. The same approach applies to the amounts accumulated in the costs of hedging reserve.

EFFECT OF DERIVATIVES ON THE CONSOLIDATED STATEMENT OF INCOME

	Gain or loss recognized in the consolidated statement of income		
€ in millions	**2020**	2019	Affected line item in the consolidated statement of income
Interest rate contracts	**–**	–	Interest income/expense
Foreign exchange contracts	**-73**	-18	Other operating income/expense
Foreign exchange contracts	**5**	3	Interest income/expense
Derivatives embedded in the convertible bonds	**2**	3	Interest income/expense
Call options to secure the convertible bonds	**-2**	-3	Interest income/expense
Derivatives not designated as hedging instruments	**-68**	-15	

Losses from foreign exchange contracts not designated as hedging instruments recognized in the consolidated statement of income are faced by gains from the underlying transactions in the corresponding amount.

MARKET RISK

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues bonds and commercial papers and enters into mainly long-term credit agreements and Schuldschein Loans with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of statement of financial position items bearing fixed interest rates.

In order to manage the risk of interest rate and foreign exchange rate fluctuations, the Fresenius Group enters into certain hedging transactions with highly rated financial institutions (generally investment grade) as authorized by the Management Board. Derivative financial instruments are not entered into for trading purposes.

The Fresenius Group makes sure that hedge accounting relationships are aligned with its Group risk management objectives and strategy and that a qualitative and forward-looking approach is used for assessing hedge effectiveness.

In general, the Fresenius Group conducts its derivative financial instrument activities under the control of a single centralized department. The Fresenius Group has established guidelines derived from best practice standards in the banking industry for risk assessment procedures and supervision concerning the use of financial derivatives. These guidelines require amongst other things a clear segregation of duties in the areas of execution, administration, accounting and controlling. Risk limits are continuously monitored and, where appropriate, the use of hedging instruments is adjusted to that extent.

The Fresenius Group defines benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and sustainable market rates. Depending on the individual benchmarks, hedging strategies are determined and generally implemented by means of micro hedges.

The Fresenius Group makes sure there is an economic relationship between the hedged item and the hedging instrument and ensures reasonable hedge ratios of the designated hedged items with interest and currency risks. This is achieved by matching to a large extent the critical terms of the interest and foreign exchange derivatives with the critical terms of the underlying exposures. Therefore, the earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period. In principle, sources of inefficiency are risk of credit default and time lags of underlying exposures.

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies, in which the financial statements of the foreign subsidiaries are prepared, have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist. These mainly relate to transactions denominated in foreign currencies, such as purchases and sales, projects and services as well as intragroup sales of products to other Fresenius Group entities in different currency areas. Therefore, the subsidiaries are affected by changes of foreign exchange rates between the invoicing currencies and the local currencies in which they conduct their businesses. Solely for the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. To ensure that no foreign exchange risks result from loans in foreign currencies, the Fresenius Group enters into foreign exchange swap contracts. The Fresenius Group solely designates the spot element of the foreign exchange forward contract as hedging instrument in cash flow hedges and uses a hedge ratio for designated risks of 1 : 1. The fair value of foreign exchange contracts designated as cash flow hedges used to hedge operating transaction risks was -€1 million (December 31, 2019: -€3 million) and in relation with loans in foreign currencies -€6 million (December 31, 2019:-€3 million).

As of December 31, 2020, the notional amounts of foreign exchange contracts totaled €3,230 million (December 31, 2019: €2,147 million). Thereof €3,228 million (December 31, 2019: €2,144 million) were due in less than 12 months. As of December 31, 2020, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 14 months. The Fresenius Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such transaction risks from foreign currencies. The basis for the analysis of the currency risks are the foreign currency cash flows that are reasonably expected to arise within the following 12 months, less any hedges. Under the CFaR approach, the potential currency fluctuations of these net exposures are shown as probability distributions based on historical volatilities and correlations of the preceding 250 business days. The calculation is made assuming a confidence level of 95% and a holding period of up to one year.

The aggregation of currency risks has risk-mitigating effects due to correlations between the transactions concerned, i. e. the overall portfolio's risk exposure is generally less than the sum total of the underlying individual risks. As of December 31, 2020, the Fresenius Group's cash flow at risk amounted to €77 million based on a net exposure of €2,293 million. This means, with a probability of 95%, a potential loss in relation to the forecasted foreign exchange cash flows of the next 12 months will be not higher than €77 million.

The following table shows the average hedging rates and nominal amounts of foreign exchange contracts for material currency pairs at December 31, 2020.

	Nominal amount in € millions	Average hedging rate
Euro/U.S. dollar	1,631	1.1787
Euro/Australian dollar	249	1.6317
Euro/Chinese renminbi	245	8.0610

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to protect against the risk of rising interest rates. These interest rate derivatives are exclusively designated as cash flow hedges and have been entered into in order to convert payments based on variable interest rates into payments at a fixed interest rate and in anticipation of future long-term debt issuances (pre-hedges). As of December 31, 2020, a euro denominated interest rate swap had a notional volume of €1 million (December 31, 2019: €2 million). The fair value was -€43 thousand (December 31, 2019: -€95 thousand). The euro interest rate swap expires in 2022. It bears an interest rate of 3.39%. As of December 10, 2020, U.S. dollar denominated interest rate swaps in the amount of US$200 million (€165 million on December 10, 2020) with an original maturity on March 10, 2021 were closed out. Accordingly, the underlying was redeemed prior to maturity.

The pre-hedges are used to hedge interest rate exposures with regard to interest rates which are relevant for the future long-term debt issuance and which could rise until the respective debt is actually issued. These pre-hedges are settled at the issuance date of the corresponding long-term debt with the settlement amount recorded in accumulated other comprehensive income (loss) amortized to interest expense over the life of the debt. At December 31, 2020 and December 31, 2019, the Fresenius Group had a loss of €8 million and €11 million, respectively, related to such settlements of pre-hedges deferred in accumulated other comprehensive income (loss), net of tax.

Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date. Concerning interest rate contracts, unscheduled repayments or the renegotiation of hedged items may in some cases lead to the de-designation of the hedging instrument, which existed up to that point. From that date, the respective hedging transactions are recognized in the consolidated statement of income.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rates and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5% compared to the actual rates as of the date of the statement of financial position. The corresponding additional annual interest expense is then compared to the net income attributable to shareholders of Fresenius SE & Co. KGaA. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of approximately 0.8% on the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA and an effect of less than 0.1% on Fresenius SE & Co. KGaA shareholders' equity.

CREDIT RISK

The Fresenius Group is exposed to potential losses regarding financial instruments in the event of non-performance by counterparties. With respect to derivative financial instruments, it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions (generally investment grade). The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to €18 million (December 31, 2019: €11 million) for foreign exchange derivatives. At December 31, 2020, the Fresenius Group's interest rate derivative did not bear a credit risk. At December 31, 2019, the maximum credit exposure from interest rate derivatives was €1 million. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an aging analysis of trade accounts receivable. For details on trade accounts receivable and on the allowances for expected credit losses, please see note 16, Trade accounts and other receivables.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term and long-term borrowings are sufficient to meet the company's foreseeable demand for liquidity (see note 23, Debt).

The following table shows the future undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities and derivative financial instruments:

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Long-term debt (including Accounts Receivable Facility)[1]	1,209	2,924	540	653
Short-term debt	250	0	0	0
Lease liabilities	926	1,686	1,259	3,451
Bonds	1,807	2,599	2,814	8,512
Convertible bonds	0	0	500	0
Trade accounts payable	1,816	0	0	0
Other financial liabilities	3,576	6	2	6
Contingent payments outstanding for acquisitions	56	267	97	183
Put option liabilities	646	103	112	74
Derivative financial instruments – designated as cash flow hedges	15	–	0	0
Derivative financial instruments – not designated as hedging instruments	73	–	–	0
Total	10,374	7,585	5,324	12,879

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2020.

33. INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

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. They allow a reasonable proportion of debt. Moreover, Fresenius Group's customers are generally of high credit quality.

Shareholders' equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

€ in millions	Dec. 31, 2020	Dec. 31, 2019
Shareholders' equity	**26,023**	26,580
Total assets	**66,646**	67,006
Equity ratio	**39.0%**	39.7%

Fresenius SE & Co. KGaA is not subject to any capital requirements provided for in its articles of association. Fresenius SE & Co. KGaA has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options on the basis of the existing 2013 Stock Option Plan (see note 36, Share-based compensation plans).

DEBT

€ in millions	Dec. 31, 2020	Dec. 31, 2019
Debt	**25,913**	27,258
Total assets	**66,646**	67,006
Debt ratio	**38.9%**	40.7%

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a broad spread of maturities, a wide range of financing instruments and a high degree of diversification of investors and banks. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium- and long-term financing. In the choice of financing instruments, market capacity, investor diversification, capital cost, flexibility, credit conditions and the existing maturity profile are taken into account.

The leverage ratio on the basis of net debt / EBITDA is a key financial figure for the Fresenius Group. As of December 31, 2020, the leverage ratio before special items was 3.4.

Fresenius Group's financing strategy is reflected in its investment grade credit ratings. The Fresenius Group is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

RATING OF FRESENIUS SE & CO. KGAA

	Dec. 31, 2020	Dec. 31, 2019
Standard & Poor's		
Corporate Credit Rating	**BBB**	BBB
Outlook	**stable**	stable
Moody's		
Corporate Credit Rating	**Baa3**	Baa3
Outlook	**stable**	stable
Fitch		
Corporate Credit Rating	**BBB -**	BBB -
Outlook	**stable**	stable

In 2020, Fresenius Group's rating remained unchanged.

34. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statements of cash flows of the Fresenius Group for the fiscal years 2020 and 2019 are shown on pages 222 and 223.

Cash funds reported in the consolidated statement of cash flows and in the consolidated statement of financial position are comprised of cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

In 2020, Fresenius Helios has used subsidies for investments in property, plant and equipment in the amount of €97 million (2019: €115 million), that were offset in purchase of property, plant and equipment in the consolidated statement of cash flows.

Cash paid for acquisitions consisted of the following:

€ in millions	2020	2019
Assets acquired	**1,098**	3,093
Liabilities assumed	**-273**	-306
Noncontrolling interests	**-37**	-138
Notes assumed in connection with acquisitions	**-182**	-139
Cash paid	**606**	2,510
Cash acquired	**-27**	-99
Cash paid for acquisitions, net	**579**	2,411
Cash paid for investments, net of cash acquired	**108**	35
Cash paid for intangible assets, net	**33**	38
Total cash paid for acquisitions and investments and purchases of intangible assets	**720**	2,484

In 2020, €96 million of cash paid for investments, net of cash acquired, related to investments in securities in the business segment Fresenius Medical Care.

Proceeds from the sale of subsidiaries were €32 million in 2020 (2019: €45 million.)

The following table shows a reconciliation of debt to cash flow from financing activities in 2020 and 2019:

		cash-effective changes	non-cash-effective changes					
€ in millions	Jan. 1, 2020	Cash flow	Assumed as part of acquisitions	Foreign currency translation	Amortization on financing costs	New lease contracts	Other	**Dec. 31, 2020**
Short-term debt	2,475	-2,247	5	-8	0	0	20	**245**
Long-term debt, less accounts receivable facility of Fresenius Medical Care	6,629	-1,377	145	-128	-1	0	-114	**5,154**
Lease liabilities	6,439	-937	35	-377	0	1,087	-59	**6,188**
Bonds	10,467	3,640	0	-290	9	0	21	**13,847**
Convertible bonds	865	-400	0	0	1	0	8	**474**
Accounts receivable facility of Fresenius Medical Care	380	-374	0	-6	0	0	0	**0**

				cash-effective changes	non-cash-effective changes					
€ in millions	Dec. 31, 2018	Effect due to the initial application of IFRS 16	Jan. 1, 2019	Cash flow	Assumed as part of acquisitions	Foreign currency translation	Amortization on financing costs	New lease contracts	Other	**Dec. 31, 2019**
Short-term debt	2,354	0	2,354	93	16	1	0	0	11	**2,475**
Long-term debt, less accounts receivable facility of Fresenius Medical Care	6,297	-219	6,078	475	93	65	7	0	-89	**6,629**
Lease liabilities	0	6,193	6,193	-837	34	90	0	948	11	**6,439**
Bonds	8,990	0	8,990	1,407	0	47	10	0	13	**10,467**
Convertible bonds	1,343	0	1,343	-500	0	0	22	0	0	**865**
Accounts receivable facility of Fresenius Medical Care	0	0	0	381	0	-2	1	0	0	**380**

35. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting tables shown on pages 226 to 227 of this Annual Report are an integral part of the notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed, which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2020.

The key data disclosed in conjunction with the consolidated segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with IFRS 8, Operating Segments, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions.

The business segments of the Fresenius Group are as follows:

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

The column Corporate is comprised of the holding functions of Fresenius SE & Co. KGaA as well as Fresenius Netcare GmbH, which provides services in the field of information technology. Corporate includes intersegment consolidation adjustments as well as special items (see note 3, Special items).

Details on the business segments are shown on page 229 of the notes.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e.g. the Fresenius Medical Care Credit Agreement or the Fresenius Credit Agreement).

Depreciation and amortization are presented for property, plant and equipment and intangible assets with definite useful lives of the respective business segment.

Net interest is comprised of interest expenses and interest income.

Net income attributable to shareholders of Fresenius SE & Co. KGaA is defined as earnings after income taxes and noncontrolling interests.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt is comprised of bank loans, bonds, convertible bonds, lease liabilities, liabilities relating to outstanding acquisitions as well as intercompany liabilities.

Other operating liabilities include the sum of short-term and long-term liabilities, less debt and less liabilities for deferred taxes.

Capital expenditure mainly contains additions to property, plant and equipment, including non-cash effective items.

Acquisitions refer to the purchase of shares in legally independent companies and the acquisition of business divisions and intangible assets (e.g. licenses). The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES
TO CONSOLIDATED EARNINGS

€ in millions	2020	2019
Total EBIT of reporting segments	**4,648**	4,720
Special items	**-227**	-57
General corporate expenses Corporate (EBIT)	**-36**	-32
Group EBIT	**4,385**	4,631
Interest expenses	**-752**	-881
Interest income	**93**	162
Income before income taxes	**3,726**	3,912

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Dec. 31, 2020	Dec. 31, 2019
Short-term debt	245	2,475
Short-term debt from related parties	5	3
Current portion of long-term debt	1,132	892
Current portion of long-term lease liabilities	766	793
Current portion of bonds	1,523	945
Current portion of convertible bonds	0	400
Long-term debt, less current portion	4,022	6,117
Long-term lease liabilities, less current portion	5,422	5646
Bonds, less current portion	12,324	9,522
Convertible bonds, less current portion	474	465
Debt	25,913	27,258
less cash and cash equivalents	1,837	1,654
Net debt	24,076	25,604

Net debt excluding lease liabilities amounted to €17,888 million at December 31, 2020.

The following table shows the long-lived assets by geographical region:

€ in millions	Dec. 31, 2020	Dec. 31, 2019
Germany	10,233	9,973
Spain	7,196	6,942
Europe (excluding Germany and Spain)	4,090	3,995
North America	23,797	25,347
Asia-Pacific	2,480	2,511
Latin America	1,052	924
Africa	66	78
Total long-lived assets[1]	48,914	49,770

[1] The aggregate amount of long-lived assets is the sum of non-current assets less deferred tax assets and less other non-current financial assets.

In 2020, the Fresenius Group generated sales of €8,059 million (2019: €7,647 million) in Germany. Sales in the United States were €14,540 million at actual rates (2019: €14,241 million) and €14,835 million in constant currency in 2020.

In 2020, the segment Fresenius Medical Care generated other sales in the amount of €409 million, Fresenius Kabi €3 million and Fresenius Helios €12 million. All other sales are sales from contracts with customers.

36. SHARE-BASED COMPENSATION PLANS

COMPENSATION COST IN CONNECTION WITH THE SHARE-BASED COMPENSATION PLANS OF THE FRESENIUS GROUP

In 2020, the Fresenius Group recognized €6 million in income in relation to stock options granted since 2016. The amount recognized in income is mainly due to the non-achievement of the plan targets and the resulting forfeiture of three quarters of the stock options granted in 2017. In 2019, the Fresenius Group recognized compensation cost in an amount of €21 million for stock options granted since 2015. For stock incentive plans which are performance-based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the market values of the underlying stock at the grant date.

The expenses related to cash-settled share-based payment transactions are determined based upon the fair value at measurement date and the number of phantom stocks or performance shares granted which will be recognized over the vesting period. In 2020, the Fresenius Group recognized expenses of €31 million (2019: €57 million) in connection with cash-settled share-based payment transactions. At December 31, 2020, the Fresenius Group has accrued €83 million (December 31, 2019: €153 million) for its share-based compensation plans.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150% of the exercise price. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

SHARE-BASED COMPENSATION PLANS OF FRESENIUS SE & CO. KGAA

Description of the Fresenius SE & Co. KGaA share-based compensation plans in place

As of December 31, 2020, 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 Shareholder 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.

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 performance 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 stocks can be granted on each stock option grant date. Phantom stocks 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 performance 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 stocks 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. At December 31, 2019, the provision for phantom stocks issued in 2015 that were exercised and paid out on March 2, 2020, amounted to €12 million.

The last phantom stocks were granted in 2017.

Transactions during 2020 and 2019

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.

On September 9, 2019, Fresenius SE & Co. KGaA awarded 795,741 performance shares under the LTIP 2018, the total fair value at the grant date being €36 million, including 198,415 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 €45.36.

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.

During the fiscal year 2019, Fresenius SE & Co. KGaA received cash of €33 million from the exercise of 1,154,825 stock options. The average stock price of the ordinary share at the exercise date was €48.23.

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. 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.

Of the 8,435,555 outstanding stock options issued under the 2013 LTIP, 4,245,296 were exercisable at December 31,2019. The members of the Fresenius Management SE Management Board held 1,434,375 stock options. 631,021 phantom stocks issued under the 2013 LTIP were outstanding at December 31, 2019. The members of the Fresenius Management SE Management Board held 114,762 phantom stocks. At December 31, 2019, the Management Board members of Fresenius Management SE held 331,849 performance shares and employees of Fresenius SE & Co. KGaA held 993,600 performance shares under the LTIP 2018.

Stock option transactions are summarized as follows:

Ordinary shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2018	**9,932,343**	**55.15**	**3,534,981**
Exercised	1,154,825	28.47	
Forfeited	336,713	67.27	
Expired	5,250	26.11	
Balance 2019	**8,435,555**	**58.34**	**4,245,296**
Exercised	160,930	33.78	
Expired	2,157,601	71.23	
Balance 2020	**6,117,024**	**54.44**	**5,633,679**

The following tables provide a summary of outstanding and exercisable options for ordinary shares at December 31:

	December 31, 2020					
	Options outstanding			Options exercisable		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
30,01 – 35,00	868,831	0.63	32.27	868,831	0.63	32.27
35,01 – 40,00	1,261,520	1.58	36.92	1,261,520	1.58	36.92
60,01 – 65,00	1,683,220	2.59	60.66	1,675,440	2.58	60.64
65,01 – 70,00	1,827,888	3.57	66.05	1,827,888	3.57	66.05
70,01 – 75,00	475,565	4.58	74.77	0		
	6,117,024	**2.55**	**54.44**	**5,633,679**	**2.38**	**52.71**

	December 31, 2019					
	Options outstanding			Options exercisable		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
30,01 – 35,00	983,311	1.64	32.30	983,311	1.64	32.30
35,01 – 40,00	1,391,595	2.58	36.92	1,391,595	2.58	36.92
60,01 – 65,00	1,876,765	3.62	60.71	1,845,640	3.58	60.64
65,01 – 70,00	2,036,213	4.57	66.05	24,750	3.92	67.99
70,01 – 75,00	2,147,671	5.58	74.77	0		
	8,435,555	**3.95**	**58.34**	**4,245,296**	**2.81**	**46.34**

At December 31, 2020, the aggregate intrinsic value of exercisable options for ordinary shares was -€84 million (December 31, 2019: €16 million).

At December 31, 2020, total unrecognized compensation cost related to non-vested options granted under the 2013 LTIP was €1 million (December 31, 2019: €15 million). This cost is expected to be recognized over a weighted-average period of 0.6 years.

SHARE-BASED COMPENSATION PLANS OF FRESENIUS MEDICAL CARE AG & CO. KGAA

As of December 31, 2020, Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) has various share-based compensation plans, which may either be equity- or cash-settled.

Fresenius Medical Care AG & Co. KGaA long-term incentive plans during 2016 – 2020 (Performance Shares)

As of May 11, 2016, the issuance of stock options and phantom stocks under the FMC-AG & Co. KGaA Long Term Incentive Program 2011 (LTIP 2011) terminated. Furthermore, as of January 1, 2019, the issuance of performance shares under the FMC-AG & Co. KGaA Long Term Incentive Plan 2016 (LTIP 2016) terminated. Furthermore, as of January 1, 2020 the issuance of performance shares under the Fresenius Medical Care Management AG Management Board Long Term Incentive Plan 2019 (MB LTIP 2019) is no longer possible. In order to continue to enable the members of the Management Board, the members of the management boards of affiliated companies and managerial staff members to adequately participate in the long-term, sustained success of Fresenius Medical Care, successor programs were introduced. For members of the Management Board, the Supervisory Board of Fresenius Medical Care Management AG (FMC Management AG) has approved and adopted the Fresenius Medical Care Management AG Management Board Long Term Incentive Plan 2020 (MB LTIP 2020). For the members of the management boards of affiliated companies and managerial staff members, the Management Board of FMC Management AG has approved and adopted the FMC-AG & Co. KGaA Long Term Incentive Plan 2019 (LTIP 2019) effective January 1, 2019.

The LTIP 2016, the MB LTIP 2019, the LTIP 2019 and the MB LTIP 2020 are each variable compensation programs with long-term incentive effects which grant or granted so-called performance shares. Performance shares are non-equity, cash-settled virtual compensation instruments which may entitle plan participants to receive a cash payment depending on the achievement of pre-defined performance targets further defined below as well as FMC-AG & Co. KGaA's share price development.

The following table provides an overview of these plans.

	MB LTIP 2020	LTIP 2019	MB LTIP 2019	LTIP 2016
Eligible persons	Members of the Management Board	Other Plan participants	Members of the Management Board	Members of the Management Board and other plan participants
Grant in the years	2020 – 2023	2019 – 2021	2019	2016 – 2018
Months in which a grant may occur	November (2020), March (2021 – 2023)[1]	July, December	July, December	July, December

[1] If the appointment as a member of the Management Board comes into effect after the regular grant date in March, the grant date may differ.

For members of the Management Board, the Supervisory Board of FMC Management AG will, in due exercise of its discretion and taking into account the individual responsibility and performance of each Management Board member, determine an initial value for each grant for any awards to Management Board members. For plan participants other than the members of the Management Board, such determination will be made by the Management Board. The initial grant value is determined in the currency in which the respective participant receives his or her base salary at the time of the grant. In order to determine the number of performance shares each plan participant receives, the respective grant value will be divided by the value per performance share at the time of the grant, which is mainly determined based on the average price of FMC-AG & Co. KGaA's shares over a period of 30 calendar days prior to the respective grant date.

The number of granted performance shares may change over the performance period of three years, depending on the level of achievement of the following: (i) revenue growth at constant currency (revenue growth), (ii) growth of the net income attributable to the shareholders of FMC-AG & Co. KGaA at constant currency (net income growth) and (iii) return on invested capital (ROIC). For the LTIP 2019 exclusively, the level of achievement for performance shares granted in year 2019 may be subject to an increase if certain targets in relation to the second phase of FMC-AG & Co. KGaA's Global Efficiency Program (GEP-II targets) and in relation to the free cash flow (free cash flow target) are achieved.

Revenue, net income and ROIC are determined according to FMC-AG & Co. KGaA's consolidated reported and audited figures in Euro for the financial statements prepared in accordance with IFRS, applying the respective plan terms. Revenue growth, net income growth and the fulfillment of the GEP-II targets, for the purpose of the relevant plan, are determined at constant currency.

The performance targets to be applied for the fiscal year for performance shares granted in the fiscal year under the MB LTIP 2020 and under the LTIP 2019 are presented in the table below.

	Growth / ROIC	Target achievement	Weight
Performance target 1: Revenue Growth	≤1%	0%	1/3
	6%	100%	
	≥11%	200%	
Performance target 2: Net Income Growth	≤0%	0%	1/3
	5%	100%	
	≥10%	200%	
Performance target 3: ROIC	≤5.5%	0%	1/3
	6%	100%	
	≥6.5%	200%	

If revenue growth, net income growth or ROIC range between these values, the respective degree of target achievement will be linearly interpolated between these values.

For performance shares granted throughout 2016 to 2019, an annual target achievement level of 100% will be reached for the revenue growth performance target if revenue growth is 7% in each individual year of the three-year performance period; revenue growth of 0% will lead to a target achievement level of 0% and the maximum target achievement level of 200% will be reached in case of revenue growth of at least 16%. If revenue growth ranges between these values, the degree of target achievement will be linearly interpolated between these values.

For performance shares granted throughout 2016 to 2019, an annual target achievement level of 100% for the net income growth performance target will be reached if net income growth is 7% in each individual year of the three-year performance period. In case of net income growth of 0%, the target achievement level will also be 0%; the maximum target achievement of 200% will be reached in the case of net income growth of at least 14%. Between these values, the degree of target achievement will be determined by means of linear interpolation.

For ROIC, an annual target achievement level of 100% will be reached if the target ROIC as defined for the applicable year is reached. For performance shares granted throughout 2016 to 2019, the target ROIC is 7.3% for 2016 7.5% for 2017, 7.7% for 2018, 7.9% for 2019 and 8.1% for 2020. A target achievement level of 0% will be reached if the ROIC falls below the target ROIC for the applicable year by 0.2 percentage points or more, whereas the maximum target achievement level of 200% will be reached if the target ROIC for the respective year is exceeded by 0.2 percentage points or more. The degree of target achievement will be determined by means of linear interpolation if the ROIC ranges between these values. In case the annual ROIC target achievement level in the third year of a performance period for performance shares granted throughout years 2016 to 2019 is equal to or higher than the ROIC target achievement level in each of the two previous years of such performance period, the ROIC target achievement level of the third year is deemed to be achieved for all years of the applicable performance period.

For all plans, the achievement level for each of the three performance targets will be weighted annually at one-third to determine the yearly target achievement for each year of the three-year performance period. The level of overall target achievement over the three-year performance period will then be determined on the basis of the mean of these three average yearly target achievements. The overall target achievement can be in a range of 0% to 200%. For performance shares granted in fiscal year 2019 under the LTIP 2019, the overall target achievement shall be increased by 20 percentage points if the GEP-II targets achievement is 100%. Furthermore, the overall target achievement for performance shares granted in year 2019 under the LTIP 2019 shall be increased by 20 percentage points if the free cash flow target achievement is 200%. In case of a GEP-II targets achievement between 0% and 100% and a free cash flow target achievement between 0% and 200%, the increase of the overall target achievement will be calculated by means of linear interpolation. The overall target achievement shall not exceed 200%.

The number of performance shares granted to the plan participants at the beginning of the performance period will each be multiplied by the level of overall target achievement in order to determine the final number of performance shares.

For the MB LTIP 2020, the final number of performance shares is generally deemed earned three years after the day of a grant. The number of such vested performance shares is then multiplied by the average FMC-AG & Co. KGaA share price over a period of 30 calendar days prior to the lapse of this vesting period. The respective resulting amount, which is capped in total at an amount equaling 400% of the grant value received by the participant, less taxes and contributions, is paid over to a credit institution which uses it for the purchase of shares of FMC-AG & Co. KGaA on the stock exchange. The shares acquired in this way are subject to a holding period of at least one year.

For plan participants of the LTIP 2019, the final number of performance shares is generally deemed earned three years after the day of a respective grant. The number of such vested performance shares is then multiplied by the average FMC-AG & Co. KGaA share price over a period of 30 calendar days prior to the lapse of this vesting period. The respective resulting amount, which is capped in total at an amount equaling 400% of the grant value received by the participant, will then be paid to the plan participants as cash compensation.

For the MB LTIP 2019, the final number of performance shares is generally deemed earned four years after the day of a respective grant. The number of such vested performance shares is then multiplied by the average FMC-AG & Co. KGaA share price over a period of 30 calendar days prior to the lapse of this vesting period. The resulting amount will then be paid to the plan participants as cash compensation.

For plan participants of the LTIP 2016, the final number of performance shares is generally deemed earned four years after the day of a grant. The number of such vested performance shares is then multiplied by the average FMC-AG & Co. KGaA share price over a period of 30 calendar days prior to the lapse of this vesting period. The respective resulting amount will then be paid to the plan participants as cash compensation.

Fresenius Medical Care AG & Co. KGaA Long Term Incentive Program 2011 (stock options and phantom stocks)

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of Fresenius Medical Care AG & Co. KGaA's (FMC-AG & Co. KGaA) Annual General Meeting. The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of FMC Management AG's Management and Supervisory Boards, forms FMC-AG & Co. KGaA's Long Term Incentive Program 2011 (LTIP 2011). Under the LTIP 2011, participants were granted awards, which consisted of a combination of stock options and phantom stocks. The final grant under the LTIP 2011 was made in December 2015. Awards under the LTIP 2011 were subject to a four-year vesting period. Vesting of the awards granted was subject to achievement of predefined performance targets. The 2011 SOP was established with a conditional capital increase up to €12 million subject to the issue of up to 12 million non-par value bearer ordinary shares with a nominal value of €1.00 per share.

Stock options granted under the LTIP 2011 have an eight-year term and can be exercised for the first time after a four-year vesting period. The exercise price of stock options granted under the LTIP 2011 shall be the average stock exchange price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the LTIP 2011 to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Stock options under the LTIP 2011 are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Phantom stock awards under the LTIP 2011 entitled the holders to receive payment in euro from FMC-AG & Co. KGaA upon exercise of the phantom stock. The payment per phantom stock in lieu of the issuance of such stock was based upon the share price on the Frankfurt Stock Exchange of one of FMC-AG & Co. KGaA's shares on the exercise date. Phantom stock awards had a five-year term and could be exercised for the first time after a four-year vesting period. For participants who were U.S. taxpayers, the phantom stock was deemed to be exercised in any event in the month of March following the end of the vesting period.

Transactions during 2020 and 2019

During 2020, FMC-AG & Co. KGaA awarded 159,607 performance shares under the MB LTIP 2020 at a measurement date weighted-average fair value of €64.20 each and a total fair value of €10 million, which will be revalued if the fair value changes. The total fair value will be amortized over the vesting period.

During 2020, FMC-AG & Co. KGaA awarded 800,165 performance shares under the LTIP 2019 at a measurement date weighted-average fair value of €64.06 each and a total fair value of €51 million, which will be revalued if the fair value changes. The total fair value will be amortized over the vesting period.

During 2019, FMC-AG & Co. KGaA awarded 114,999 performance shares under the MB LTIP 2019 at a measurement date weighted-average fair value of €60.70 each and a total fair value of €7 million, which will be revalued if the fair value changes. The total fair value will be amortized over the vesting period.

During 2019, FMC-AG & Co. KGaA awarded 817,089 performance shares under the LTIP 2019 at a measurement date weighted-average fair value of €62.16 each and a total fair value of €51 million, which will be revalued if the fair value changes. The total fair value will be amortized over the vesting period.

During 2020, FMC-AG & Co. KGaA received cash of €12 million from the exercise of stock options. The intrinsic value of stock options exercised in 2020 was €4 million.

During 2019, FMC-AG & Co. KGaA received cash of €17 million from the exercise of stock options. The intrinsic value of stock options exercised in 2019 was €5 million.

At December 31, the members of the Management Board and plan participants other than the members of the Management Board held the following performance shares under the share-based plans:

Performance Shares	2020 Members of the Management Board	2020 Other plan participants	2020 Total	2019 Members of the Management Board	2019 Other plan participants	2019 Total
MB LTIP 2020	**159,607**	**–**	**159,607**	–	–	–
LTIP 2019	**8,869**	**1,522,102**	**1,530,971**	–	797,659	797,659
MB LTIP 2019	**102,435**	**12,564**	**114,999**	102,435	12,564	114,999
LTIP 2016	**135,473**	**947,133**	**1,082,606**	211,878	1,747,142	1,959,020

Additionally, at December 31, 2020, the members of the Management Board of FMC Management AG held 465,308 stock options (December 31, 2019: 452,989) and plan participants other than the members of the Management Board held 2,735,766 stock options (December 31, 2019: 3,036,000) under the 2011 SOP.

The table below provides reconciliations for options outstanding at December 31, 2020 as compared to December 31, 2019 and December 31, 2018:

Stock options for shares	Number of options in thousands	Weighted-average exercise price in €
Balance at December 31, 2018	**3,896**	**68.85**
Exercised[1]	329	51.72
Forfeited	78	75.08
Balance at December 31, 2019	**3,489**	**70.32**
Exercised[2]	235	53.00
Forfeited	53	75.65
Balance at December 31, 2020	**3,201**	**71.50**

[1] The average share price at the date of exercise of the options was €67.62.
[2] The average share price at the date of exercise of the options was €71.75.

The following tables provide a summary of outstanding and exercisable options at December 31, 2020 and December 31, 2019, respectively:

Range of exercise price in €	December 31, 2020 Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
45,01 – 50,00	630,870	1.44	49.91
55,01 – 60,00	31,080	1.92	58.63
75,01 – 80,00	2,539,124	2.58	77.03
	3,201,074	**2.35**	**71.50**

	December 31, 2019		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
45,01 – 50,00	767,001	2.38	49.90
50,01 – 55,00	825	0.93	52.27
55,01 – 60,00	133,375	1.24	57.68
75,01 – 80,00	2,587,788	3.58	77.03
	3,488,989	**3.23**	**70.32**

37. RELATED PARTY TRANSACTIONS

In 2020, €12 million (2019: €16 million) were paid to Fresenius Management SE as compensation for the Management Board and the Supervisory Board, general partners' fees and other reimbursements of out-of-pocket expenses. At December 31, 2020, there were outstanding liabilities payable to Fresenius Management SE in the amount of €41 million (December 31, 2019: €43 million), consisting mainly of pension obligations and Management Board compensation (see page 199 ff.).

The aforementioned payments are net amounts. In addition, VAT was paid.

In 2020 and 2019, the Else Kröner-Fresenius-Stiftung was paid the dividends which it is entitled as a shareholder in the ordinary share capital of Fresenius SE & Co. KGaA.

Fresenius Medical Care has entered into exclusive supply agreements to purchase certain pharmaceuticals from, as well as certain exclusive distribution agreements with, its associate Vifor Fresenius Medical Care Renal Pharma Ltd. Under the terms of certain unconditional purchase agreements, Fresenius Medical Care is obligated to purchase approximately €302 million of pharmaceuticals, of which €297 million is committed at December 31, 2020 for 2021. The terms of these agreements extend over four years.

38. SUBSEQUENT EVENTS

The months of January and February were characterized worldwide by a regionally varying development of the COVID-19 pandemic with continued high infection numbers, especially in Europe and the United States, as well as an increasing number of virus mutations. Currently, large-scale constraints of public and private life are therefore again enacted in various countries, for example in both Spain and Germany, in order to curtail the spread of COVID-19. The first vaccines have been licensed and vaccination has begun. The further development of the global situation and the impact on Fresenius remain uncertain.

Beyond that, there have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2020 until February 22, 2021. 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.

SUPPLEMENTARY NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

39. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see page 199 ff.), which is part of the Group Management 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 €15,017 thousand (2019: €15,468 thousand). Thereof, €6,669 thousand (2019: €6,166 thousand) is not performance-based and €8,348 thousand (2019: €9,302 thousand) is performance-based. The amount of the performance-based compensation depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component, the members of the Management Board received performance shares in the equivalent value of €9,870 thousand.

The total compensation of the Management Board was €25,070 thousand (2019: €26,872 thousand).

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was €2,930 thousand in 2020 (2019: €4,285 thousand). Of this amount, €2,771 thousand was fixed compensation (2019: €2,775 thousand), €159 thousand was compensation for committees services (2019: €160 thousand), and €0 thousand was variable compensation (2019: €1,350 thousand).

In 2020, based on pension commitments to former members of the Management Board, €1,147 thousand (2019: €1,154 thousand) was paid. The pension obligation for these persons amounted to €23,867 thousand in 2020 (2019: €24,863 thousand).

In the fiscal years 2020 and 2019, no loans or advance payment on future compensation components were granted to any member of the Management Board of Fresenius Management SE.

40. AUDITOR'S FEES

In 2020 and 2019, the following fees were expensed for the respective auditor – PricewaterhouseCoopers GmbH, Frankfurt am Main (PwC), in 2020 and KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (KPMG), in 2019 – and its affiliates:

€ in millions	2020 Total	2020 Germany	2019 Total	2019 Germany
Audit fees	**20**	**7**	21	8
Audit-related fees	**3**	**2**	3	2
Tax consulting fees	**1**	**–**	1	–
Other fees	**5**	**5**	–	–
Total auditor's fees	**29**	**14**	25	10

The leading auditor has been responsible for the audit of the consolidated financial statements since 2020.

In 2020, tax consulting fees both worldwide and in Germany related to general tax consulting. In the fiscal year 2020, both worldwide and in Germany, audit-related fees and other fees mainly related to the review of quarterly financial statements, audit services in connection with financing activities and consulting fees with regard to corporate governance.

41. 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).

42. 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 2020 of Fresenius SE & Co. KGaA are distributed as follows:

in €	
Payment of a dividend of €0.88 per bearer ordinary share on the 557,540,909 ordinary shares entitled to dividend	490,635,999.92
Balance to be carried forward	116,035.01
Retained earnings	**490,752,034.93**

Bad Homburg v. d. H., February 22, 2021

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

M. Henriksson | R. Powell | Dr. E. Wastler

RESPONSIBILITY STATEMENT

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

Bad Homburg v. d. H., February 22, 2021

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

M. Henriksson | R. Powell | Dr. E. Wastler

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the consolidated financial statements and the group 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 CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Fresenius SE & Co. KGaA for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group 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 consolidated 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 Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities 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 consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated 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. Recoverability of goodwill

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. Recoverability of goodwill

1. In the Company's consolidated financial statements goodwill amounting in total to EUR 26.599 Mio (39,9% of total assets or 102,2% of equity) is reported under the "Goodwill" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the cash-generating units to which the relevant goodwill is allocated individually or as a group. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the approved three-year budgets as well as projections for years 4 to 10 of the respective cash-generating units form the starting point which are extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. In addition, expectations about the continuation of the Corona pandemic were formed and the corresponding effects on the budgets of the respective cash-generating units were taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating units. The impairment test determined that even after taking into account the fair value less costs of disposal, it was necessary to recognize a write-down amounting to a total of EUR 195 Mio with respect to the cash-generating unit „Fresenius Medical Care Latin America".

   The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore also against the background of the ongoing Corona pandemic, subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed with the support of our internal valuation specialists the methodology used for the purposes of performing the impairment test, among other things. In doing so, we also assessed the acceptability of projecting beyond the budget period. Moreover, we reconciled, among other things, the future cash inflows used for the calculation with the approved three-year budgets and projections for years 4 to 10 of the respective cash-generating units. In doing so, we also assessed the appropriateness of the calculation including the applied growth rates, in particular by reconciling it with underlying documentation, the expected growth rate in respective markets and general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona pandemic on the budgets of the respective cash-generating units and examined how they were taken into account in estimating the future cash flows. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate or the growth rates applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount

rate as well as growth rates applied, and assessed the calculation models. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company and carried out our own sensitivity analyses for those groups of cash-generating units with low headroom (recoverable amount compared to carrying amount) and verified that the necessary disclosures were made in the notes to the consolidated financial statements.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on the balance sheet item "Goodwill" are contained in note 1. III. o), note 1.IV. a) and note 20 of the notes to the consolidated 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 other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group 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 and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or 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 Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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.
- 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group 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 consolidated 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

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file FSE_KGaA_KA_KLB_ESEF-2020-12-31.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 engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the

ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: 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 reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 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 executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

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

Group Auditor's Responsibilities for the Assurance Engagement 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 engagement. 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 conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement 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 conclusion 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 applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 28 August 2020. We were engaged by the supervisory board on 13 October 2020. We have been the group 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).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT
The German Public Auditor responsible for the engagement is Dr. Bernd Roese.

Frankfurt am Main, February 22, 2021
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(Original German version signed by:)

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

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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, 2020	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: Fresenius Group company positions as at Dec. 31, 2020
Dr. Gerd Krick Chair	Chairman of the Supervisory Board of Fresenius SE & Co. KGaA	1938	2003		Fresenius Management SE (Chair) Fresenius Medical Care Management AG VAMED AG, Austria (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	Dresden International University (DIU) 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 (since 01.05.2020)	Secretary of the Trade Union ver.di, Vereinte Dienstleistungsgewerkschaft	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
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]	
Klaus-Peter Müller	Honorary Chairman of the Supervisory Board of Commerzbank AG	1944	2008		Fresenius Management SE
Oscar Romero de Paco	Production staff member Fresenius Kabi España S.A.U.	1974	2016		

The term of office expires at the end of the Annual General Meeting 2021

[1] Stock-listed company

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, 2020	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: Fresenius Group company positions as at Dec. 31, 2020
Hauke Stars	Member of supervisory bodies	1967	2016	Kühne + Nagel International AG, Switzerland[1]	
Niko Stumpfögger Deputy Chair (until 30.04.2020)	Secretary of the Trade Union ver.di, Head of Company and Industry Politics in Health Care and Social Affairs	1955	2007		

The term of office expires at the end of the Annual General Meeting 2021

[1] Stock-listed company

COMMITTEES OF THE SUPERVISORY BOARD

Nomination Committee	Audit Committee	Joint Committee[1]
Dr. Gerd Krick (Chair)	Klaus-Peter Müller (Chair)	Dr. Dieter Schenk (Chair)
Michael Diekmann	Grit Genster (as of May 20, 2020)	Michael Diekmann
Klaus-Peter Müller	Konrad Kölbl	Dr. Gerd Krick
	Dr. Gerd Krick	Klaus-Peter Müller
	Hauke Stars	
	Niko Stumpfögger (until April 30, 2020)	

[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)

					Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies	
Name	Segment	Year of birth	Initial appointment	Term expires	External positions as at Dec. 31, 2020	Fresenius Group company positions as at Dec. 31, 2020
Stephan Sturm	Chairman	1963	2005	2021	Deutsche Lufthansa AG[1]	Fresenius Kabi AG (Chair) Fresenius Medical Care Management AG (Chair) VAMED AG, Austria (Deputy Chair)
Dr. Sebastian Biedenkopf (since 01.12.2020)	Responsible for Legal, Compliance, Insurance and Human Resources, and Labor Relations Director	1964	2020	2023	EUROKAI GmbH & Co. KGaA (bis 12/2020)	
Dr. Francesco De Meo	Business Segment Fresenius Helios	1963	2008	2021		
Rachel Empey	Chief Financial Officer	1976	2017[2]	2025	Inchcape, plc, Great Britain[1] (until 30.04.2021; Non-Executive Director)	Fresenius Kabi AG (Deputy Chair) Fresenius Medical Care Management AG (Deputy Chair)
Dr. Jürgen Götz (until 30.06.2020)	Chief Legal and Compliance Officer, and Labor Relations Director	1964	2007	2020		
Mats Henriksson	Business Segment Fresenius Kabi	1967	2013	2022		Fenwal, Inc., USA FHC (Holdings) Ltd., Great Britain Fresenius Kabi Austria GmbH, Austria (Chair) Fresenius Kabi Compounding LLC, USA Fresenius Kabi España S.A.U., Spain Fresenius Kabi Pharmaceuticals Holding, Inc., USA Fresenius Kabi USA LLC, USA Labesfal – Laboratórios Almiro, S.A., Portugal Quercus Acquisition, Inc., USA
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)
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, 2020	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: Fresenius Group company positions as at Dec. 31, 2020
Dr. Gerd Krick Chair	Chairman of the Supervisory Board of Fresenius SE & Co. KGaA	1938	2010		Fresenius SE & Co. KGaA [1] (Chair) Fresenius Medical Care Management AG VAMED AG, Austria (Chair)
Dr. Kurt Bock	Former Chief Executive Officer BASF SE	1958	2016	BASF SE [1] (since 18.06.2020; Chair) BMW Group [1]FUCHS PETROLUB SE [1] (Chair)	
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 (since 07.07.2020)	Former Chief Executive Officer of DZ Bank AG	1960	2020	ZF Friedrichshafen AG (since 01.01.2021) BMW AG [1] Deutsche Post AG [1]	
Wolfgang Kirsch (since 01.01.2020)	Former Chief Executive Officer of of DZ Bank AG	1955	2020	Adolf Würth GmbH & Co. KG AGCO Corporation Duluth, USA	
Klaus-Peter Müller	Honorary Chairman of the Supervisory Board of Commerzbank AG	1944	2010		Fresenius SE & Co. KGaA [1]
Dr. Dieter Schenk Deputy Chair	Lawyer and Tax Consultant	1952	2010	HWT invest AG (formerly Bank Schilling & Co. AG; Chair) 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)
Dr. Karl Schneider	Honorary Chairman of the Supervisory Board of Fresenius Management SE				

The term of office expires at the end of the Annual General Meeting 2021

[1] Stock-listed company

GLOSSARY

Health care terms/Products and services

Administrative data
Data transmitted to sickness funds as part of the billing process or to federal agencies like the German Federal Statistical Office due to legal requirements. In Germany, this includes information about coded diagnoses and procedures.

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.

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 reinfused into the patient with better characteristics than before. In the patient's body, they activate the immune system and destroy cancer cells.

Catalog effect
Change in severity applied to own case number portfolio.

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".

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

EPO (Erythropoietin)
Hormone that stimulates red blood cell production. Recombinant (i.e., artificially produced) human EPO is commonly prescribed to patients on dialysis who suffer from anemia.

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

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.

Hemoglobin
Component of red blood cells that transports oxygen around the body. An insufficient level of hemoglobin is indicative of anemia, which typically occurs in patients with chronic kidney failure. Besides dialysis, anemia is treated with iron supplements and the hormone compound erythropoietin (EPO).

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.

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.

GLOSSARY

Health care terms/Products and services

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

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.

Three-chamber bag
The three-chamber bag contains all the macronutrients like amino acids, glucose, and lipids, as well as electrolytes, in three 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.

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

GLOSSARY

Financial terms[1]

RECONCILIATION OF AVERAGE INVESTED CAPITAL AND ROIC

€ in millions, except for ROIC	December 31, 2020	December 31, 2019
Total assets	**66,646**	**67,006**
Plus: Cumulative goodwill amortization	690	539
Minus: Cash and cash equivalents	-1,837	-1,654
Minus: Loans to related parties	-62	-61
Minus: Deferred tax assets	-812	-839
Minus: Accounts payable	-1,816	-1,905
Minus: Accounts payable to related parties	-67	-46
Minus: Provisions and other current liabilities[1]	-8,649	-7,079
Minus: Income tax payable	-504	-474
Invested capital	**53,589**	**55,487**
Average invested capital as of December 31, 2020/2019[2]	**54,648**	**53,846**
Operating income[3,4]	4,614	4,692
Income tax expense	-1,065	-1,092
NOPAT[3,4]	**3,549**	**3,600**
ROIC in %	**6.5%**	**6.7%**

[1] Includes non-current provisions and payments outstanding for acquisition; does not include pension liabilities and noncontrolling interests subject to put provisions.
[2] Includes adjustments for acquisitions in the respective reporting period with a purchase price above a certain level (2020: €220 million; 2019: €2,029 million).
[3] Includes adjustments for acquisitions in the respective reporting period with a purchase price above a certain level (2020: €2 million; 2019: €4 million).
[4] Before special items

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 69–71.

RECONCILIATION OF AVERAGE OPERATING ASSETS AND ROOA

€ in millions, except for ROOA	December 31, 2020	December 31, 2019
Total assets	**66,646**	**67,006**
Minus: Contract liabilities	-962	-92
Minus: Payments received on account	0	0
Minus: Cash held in trust	-121	-111
Minus: Loans to related parties	-62	-61
Minus: Deferred tax assets	-812	-839
Minus: Accounts payable	-1,816	-1,905
Minus: Accounts payable to related parties	-67	-46
Minus: Approved subsidies due to Hospital Funding Act ("Krankenhausfinanzierungsgesetz", KHG)	-82	-112
Operating assets	**62,724**	**63,840**
Average operating assets as of December 31, 2020/2019[1]	**62,976**	**61,841**
Operating income[2,3]	4,614	4,692
ROOA in %	**7.3%**	**7.6%**

[1] Includes adjustments for acquisitions in the respective reporting period with a purchase price above a certain level (2020: -€612 million; 2019: €424 million).
[2] Includes adjustments for acquisitions in the respective reporting period with a purchase price above a certain level (2020: €2 million; 2019: €4 million).
[3] Before special items

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 69–71.

[1] Integral part of Group Management Report

SOURCE

Market dynamics of business segments

Fresenius Medical Care
Page 8

~3% patient growth in 2020:
Source: own research Fresenius Medical Care

Growth of home hemodialysis treatments in 2020 in the United States: +37 %
Source: own research Fresenius Medical Care

Global market for dialysis products and services ~€ 82 bn
Source: own research Fresenius Medical Care

Big Data is driving new treatment models ~54 m dialysis treatments in 2020
Source: own research Fresenius Medical Care

Quality in dialysis treatments enables saving in the U.S. market
Source: Kidney Care Partners: United States Renal Data System. 2018 USRDS annual data report: Epidemiology of kidney disease in the United States. National Institutes of Health, National Institute of Diabetes and Digestive and Kidney Diseases, Bethesda, MD, 2018.

Fresenius Kabi
Page 11

Continuing growth of generics and biopharmaceuticals in 2021 expected
Source: own research Fresenius Kabi

Global addressable market 2020 ~€105 bn
Source: own research Fresenius Kabi

Increase in the proportion of the population over 65 years of age
Source: https://www.un.org/en/development/desa/population/publications/pdf/ageing/WorldPopulationAgeing2019-Highlights.pdf

Growing health care spending in emerging markets
Source: UBS, Longer Term Investments: EM healthcare (2018)

Rising cost consciousness in health care spending – significant savings from generics
Source: Association for Accessible Medicines (AAM): 2019 Generic Drug and Biosimilars Access and Savings in the U.S.; IMS Health 2015, The Role of Generic Medicines in Sustaining Healthcare Systems – A European Perspective

Fresenius Helios
Page14

Hospital market in Germany ~€109 bn

Length of stay below the average of 7.2 days in Germany provides benefits for hospital operators (Helios Germany: 5.7 days)
Source: German Federal Statistical Office, 2018 data (most recent market data available refers to the year 2018 as no more recent data have been published); own research Helios Germany

Outpatient treatment
Source: Bertelsmann Stiftung, Spotlight Gesundheit, 2019, Ärztliche Vergütung

Private hospital market in Spain ~€16 bn
Source: Market data based on own research and refer to the addressable market for Quirónsalud.

Average increase of private health insurance policies in Spain of ~2.5% p.a.
Source: Asociación ICEA (Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones), Data from 2011 to 2019

Relatively low average of 2.5 hospital beds in Spain (per 1,000 inhabitants) provides opportunities for growth
Source: OECD Health Data, 2018 data (most recent market data available refers to the year 2018 as no more recent data have been published)

Fresenius Vamed
Page 17

Telemedicine market in Europe is estimated to grow 14.1% p.a. till 2025.
Source: https://www.marketdataforecast.com/market-reports/europe-telemedicine-market

Global preventive health care is estimated to grow 9.5% p.a. till 2025.
Source: World Health Organization, 2013-2015, www.who.org

Outsourcing of non-medical services provided by public institutions to private providers grew in Germany by 50% from 2013 to 2018.
Source: https://www.destatis.de/DE/Themen/Gesellschaft-Umwelt/Gesundheit/Krankenhaeuser/_inhalt.html#sprg234206

Emerging markets' share of global health expenditure will grow to 33% by 2022.
Source: https://www.ihealthcareanalyst.com/government-initiatives-public-awareness-propel-preventive-health-care-technologies-services-market/

IMPRINT

Commercial Register: Bad Homburg v. d. H.; HRB 11852
Chairman of the Supervisory Board: Dr. Gerd Krick

General Partner: Fresenius Management SE
Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11673
Management Board: Stephan Sturm (President and CEO), Dr. Sebastian Biedenkopf, Dr. Francesco De Meo, Rachel Empey, Rice Powell, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Annual Report is legally binding.
The editorial closing date of this Annual Report was on March 16, 2021, and it was published on March 18, 2021. Rounding differences may occur.

The Annual Report and the financial statements of Fresenius SE & Co. KGaA are available on our website and may be obtained upon request under Investor Relations.

You will find further information and current news about our company on our website at: www.fresenius.com.

Forward-looking statements:
This Annual Report contains forward-looking statements. These statements represent assessments that we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based not occur, or if risks should arise – as mentioned in the risk report and the SEC filings of Fresenius Medical Care AG & Co. KGaA – the actual results could differ materially from the results currently expected.

Design concept/realization: Hilger & Boie Design, Wiesbaden

FINANCIAL CALENDAR

Report on 1st quarter 2021 Conference call, live webcast	May 6, 2021
Virtual Annual General Meeting, Frankfurt am Main, Germany	May 21, 2021
Payment of dividend[1]	May 27, 2021
Report on 2nd quarter 2021 Conference call, live webcast	July 30, 2021
Report on 3rd quarter 2021 Conference call, live webcast	November 2, 2021

[1] Subject to prior approval by the Annual General Meeting

Schedule updates, information on live webcasts, and other events at www.fresenius.com/events-and-roadshows

FRESENIUS SHARE / ADR

	Ordinary share		ADR
Securities identification no.	578 560	CUSIP	35804M105
Ticker symbol	FRE	Ticker symbol	FSNUY
ISIN	DE0005785604	ISIN	US35804M1053
Bloomberg symbol	FRE GR	Structure	Sponsored Level 1 ADR
Reuters symbol	FREG.de	Ratio	4 ADR = 1 share
Main trading location	Frankfurt / Xetra	Trading platform	OTC

CONTACT

Corporate Headquarters
Else-Kröner-Straße 1
Bad Homburg v. d. H.
Germany

Postal address
Fresenius SE & Co. KGaA
61346 Bad Homburg v. d. H.
Germany

Contact for shareholders
Investor Relations & Sustainability
Telephone: ++49 61 72 6 08-24 87
Telefax: ++49 61 72 6 08-24 88
E-mail: ir-fre@fresenius.com

Contact for journalists
Corporate Communications
Telephone: ++49 61 72 6 08-23 02
Telefax: ++49 61 72 6 08-22 94
E-mail: pr-fre@fresenius.com