



## **Virtual Annual General Meeting of Fresenius SE & Co. KGaA on May 21, 2021**

### **Speech of Stephan Sturm, Chairman of the Management Board**

**The spoken word has precedence.**

Dear Shareholders,

Welcome to the Fresenius Annual General Meeting. Again, we must hold it online instead of on location in Frankfurt. Again, we cannot come together in the same space. This is something we have gotten used to. Well: almost. It is our new corona routine. Nonetheless, it still feels a bit strange. At least for me. The photograph on the slide shows our AGM from two years ago. This is not such a long time ago. Still, it almost seems to be from another world.

The effect continues to this day: These are extraordinary times. That applies to the entire world. It also applies to us as a company. We are looking back on a very special year – a year unlike any we have previously experienced. A year with great challenges, both medical and economic. Challenges that for the most part are still with us. How did we deal with these challenges?

How will we deal with these challenges? What successes have we achieved? And what will we do to remain successful in the future? This is what I would like to tell you about today.

*In battle against the coronavirus*

What is most important to me here is our contribution to the fight against the coronavirus. It was clear very early on: We are needed. And now more than ever. Healthcare systems must function. Even in a crisis like this. Especially in a crisis like this. We are doing our part. Engaged. Focused. Worldwide. We are doing everything to ensure people receive the best care possible. This is our responsibility. This is what we stand for. This is Fresenius.

The coronavirus is challenging us everywhere. In our hospitals! We treated more than 42,000 coronavirus patients just in the past year. In dialysis! We are making sure that kidney disease patients receive their life-giving dialysis. With our products! Whether they are solutions for use in acute dialysis, or anesthetics for use during artificial respiration. The coronavirus has dramatically increased demand. We have done everything we could to maintain their production and distribution. Where necessary and possible, we even increased their production. Speedily. Flexibly. And, of course, without raising prices.

This was, and is, possible for one reason only: The unparalleled commitment of our employees! There now are more than 310,000 of them. Day after day they accomplish tremendous things! Especially now, in the middle of a worldwide pandemic. They are there. For the patients. Again today, it will not be possible to join in applauding their achievements. The virtual format is not up to it. But I am certain that I speak for you all in saying: Our heartfelt thanks! You save lives! You are Fresenius!

Of course, there was more to 2020 than the coronavirus. Independent of the pandemic, we achieved important successes. Setting our course for the future. Growing, once again – and establishing the basis for continued growth. A few examples:

*Acquisition of Eugin Group*

Acquiring the Eugin Group. We signed the purchase agreement at the end of last year. Since then, the acquisition has been successfully closed. What does Eugin do? It helps people who are unable to have a child in the usual way. Eugin is one of the leading international providers in this area, with a network of 31 clinics. There are another 34 locations on top of that. Eugin

operates in nine countries on three continents. Their most important markets: The United States. Spain. Brazil. Italy. Sweden.

Eugin is a perfect fit with Fresenius Helios. It is a highly profitable company. It is well positioned in a number of attractive markets. And we share the same commitment and promise: Patient well-being and cutting-edge medicine. With this acquisition, we create a sound basis for continued growth. Through our own strength. And through additional acquisitions. Already, about 70,000 babies are born annually in our hospitals. Almost 200 every day. We will be even stronger with Eugin. Together we will be able to help many more people realize a great wish. The wish for their own child. I believe this is a wonderful motivator.

#### *Acquisition of additional hospitals*

How do things look in our hospital business? Here too, we continued to expand in 2020. In Germany, we acquired four hospitals from the Malteser humanitarian aid group in Bonn, Duisburg and Krefeld. Together, they offer around 1,300 beds. One of our strategies at Helios is to build centers: Bundling specialist expertise for a region at one location, and thereby increasing medical quality. The four hospitals are a great fit for this concept.

We also expanded our network in Colombia: With the Clinica de la Mujer in Bogotá. Prior to that, we were present in Medellín and Cali. Now we also are present in the capital city.

#### *Expanding and advancing home dialysis*

Another important area of growth: Home dialysis. Here too, Fresenius Medical Care made a great deal of progress. The NxStage portfolio has now also been successfully integrated in Europe. This is what it means for our European patients: A greater selection of treatment methods. So that they best fit into patients' lives. And, when it fits, then cleaning the patient's blood at home. In the U.S., 14 percent of our dialysis treatments are already done this way. Home dialysis is not for everyone, but it can offer many advantages. Flexibility. More frequent, gentle treatments. Along with improved safety: This is certainly a factor during the pandemic, and has further boosted the already growing demand for home dialysis.

*Submission for second biosimilar*

Another important step taken last year: Fresenius Kabi applied for approval for our second biosimilar, in the U.S. and in Europe. A biosimilar for Pegfilgrastim, a medication used to treat cancer. We expect approval to be granted later this year. And we have additional biosimilars in development. As you know: Biosimilars represent a fairly new business sector for us. But one for which we have high hopes. The development to date has been very satisfying. 2023 will be an important year: That is when we expect to launch Idacio in the U.S. Our biosimilar for Adalimumab. It reduces inflammation, for example with rheumatic disorders. This will further increase our revenue from biosimilars. Our expectations then: An amount in the high triple-digit millions of euros.

*Advancing sustainability*

We also have taken additional steps forward in the area of sustainability. The pandemic has stolen the limelight for now. It is the most urgent problem. However, sustainability is the great issue of our times. The short-term impact is no longer the only thing that matters. The same holds for quick successes. What is becoming more and more important: How do decisions and measures stand up in the long run? What is their impact on people? On the economy? On the planet?

Thinking and acting in this way: This is deeply ingrained in Fresenius. It has been that way throughout our more than 100 years. And it will be that way in the future. Sustainability at all levels: We offer medicine that is high quality and affordable. How important both are is very apparent right now. We are a dependable partner in the healthcare system. Worldwide. We also are a good employer for more than 300,000 people. We have a long-term oriented growth strategy. And of course, we want to handle this planet's resources as carefully as we can.

However, as I made clear at last year's Annual General Meeting: We have in the past probably not talked enough about our contributions to sustainability. Taken them too much for granted. Our various actions may not have been coordinated as well as they could have been. We are changing that now.

As previously announced, we set up a sustainability body at the corporate level in 2020. This body reports directly to me. The task: To further develop sustainable practices throughout the company. Further solidify our non-financial goals. We will constantly weigh ecological and

social concerns in our business strategies. And we want to adjust the remuneration system for the Management Board. Non-financial aspects should be made a part of this in the future. You have the opportunity to vote on that today.

So, you see: We successfully continued to develop in many areas during 2020. We laid the basis for continued profitable growth. Sustainable growth. And we fulfilled our role in a global health crisis.

*Significant restrictions due to COVID-19*

But let there be no doubt: The coronavirus was and is a heavy burden. Despite our best efforts we must realize: The pandemic has caused us economic losses. Substantial losses. This may come as a surprise to many. A company like ours: Shouldn't it be doing particularly well in a time like this? In a global health crisis? No, it is not so. The pandemic disrupted many economic activities, and also negatively affected us. But most of all: Fresenius is much more than just intensive care medicine. We experienced and are experiencing substantial burdens due to the coronavirus. This applies to all four company segments.

For example: What are known as elective operations. This means operations that are not pressing; ones that can be delayed. At least for a while. These account for the bulk of operations in hospitals. And they have been declining substantially almost everywhere. Naturally, this has had an impact on Fresenius Helios. But it also means: Less demand for many products made by Fresenius Kabi. The very products used in these operations. From intravenous solutions to anesthetics.

Fresenius Vamed also has been hit hard by the pandemic. Fewer elective operations mean less demand for rehabilitation. Our thermal spas have had to stay closed for extended periods. Ongoing restrictions on travel have also cut into the project business. On top of that, many hospital projects in developing nations have been interrupted, delayed, or even cancelled.

And of course, there is dialysis: Kidney patients are at particular risk from the virus. Very sadly, this has been proven true. Substantially more dialysis patients than normal have died since last autumn. This is above all a great human tragedy. One that has affected me deeply. However, it also impacted us economically: These treatments were planned, and now they are missing. This means: Lower revenues as costs continue to rise.

*Stable sales and earnings development*

Overall, I believe we performed well as a business in 2020. We were able to again increase revenue. Despite the pandemic. Despite the impediments I have described. Revenue totaled €36.3 billion. This is an increase of 5 percent in constant currency. However, in terms of earnings: Net income declined for the first time in many years, although it still totaled €1.8 billion. Nonetheless, in currency-adjusted terms it represented a 3 percent decline. This much is clear: Given the circumstances, it was a successful business year. However, it was not a year of dynamic growth. Not what we have come to expect. Not what we would like. And not what we expected before the coronavirus.

Despite that: We have shown that our business model is stable. Resilient. Precisely because our range of products and services is so wide. If the estimated COVID-19 effects were excluded, we would have met our original targets in full. And we would also have significantly increased earnings.

*28th consecutive dividend increase proposed*

That is why I also have good news about the dividend: good news for you. Why? Because again this year we would like to further increase the dividend. Despite the continuing burdens. Despite the small decline in earnings. Because we are looking at our continuing growth drivers, and they remain intact. The coronavirus has slowed our growth. That is true. But our core business? It is showing healthy development. It is growing continuously. That is a solid operative development and we want you, dear shareholders, to share fairly in this success. Our proposal is for a dividend of 88 cents. That is four cents more. Five percent higher. It would be the 28<sup>th</sup> consecutive increase.

Should you approve this proposal in good conscience? After all, we did receive payments from government last year. Still, the answer is: Yes, certainly. If we had reservations about this, our dividend proposal would have been different.

First and foremost, government payments were compensation. Because we kept our hospitals free for COVID-19 patients, by order of the authorities. We therefore had to cancel many other treatments, at a cost to our revenue and earnings. And, of course, we are paying tax on the

compensation payments. But even if we had not received them: We would still have made a decent profit, several times greater than the amount we propose to distribute in dividends. Because it remains a fact: Most of our earnings flow into ever better medicine. Into our sustainable, healthy growth. In short: Into our future.

*Group outlook 2021: growth despite continuing challenges*

Dear Shareholders!

Let's take a look into this future – the future of Fresenius. What are our expectations? Let's start with the short-term outlook. Our forecast for the current business year. Here, too, we must acknowledge: The coronavirus still has the world firmly in its grip. The third wave is slowly receding here in Germany, and this also appears to be happening in many other countries. But the situation remains dramatic in India, and also in Latin America. At the same time, there is reason for hope: The vaccines appear to work well, and they are protecting more people every day. What does this mean for our company? Judged from where we are today, I must assume that we will have to deal with coronavirus-related burdens for quite some time yet. Probably until at least the middle of this year. Only in the second half of the year does it look better. Then we are expecting, step by step, significant relief. The speed of vaccinations in our most important markets will be decisive here.

In numbers, we project sales growth in the low to mid-single-digit percentage range, and net income broadly at the same level as 2020. Both measures are in constant currency. You can see: We also want to continue growing in the short term. And we want to remain very profitable. Despite the continuing burdens. Currently, all indications are that we will reach these targets. We made a good start into the new business year. In the first quarter, we increased sales by 3 percent. Net income declined 2 percent. These figures too, are in constant currency. But please keep in mind that this comparison is with the first quarter of 2020, which was far less impacted by the coronavirus. Yet even compared with this quarter, we increased sales and our earnings were only marginally lower. That makes us optimistic for the full year.

*Medium-term 2020-23 targets confirmed*

And how does it look beyond 2021? What about our medium-term guidance? We have set ambitious targets there: You will recall that we have forecast average annual growth of 4 to 7 percent in sales and 5 to 9 percent in net income through 2023. We are sticking to these targets. Even though they were set in early 2019. Long before the coronavirus, at a time when no one foresaw such a pandemic. The situation has changed drastically, but as I said earlier: our core growth drivers are largely intact. For this reason, we are convinced that we can still meet our medium-term targets. Last year we grew more slowly than we expected in 2019, due to the pandemic. That also will be true this year. We will, therefore, have to significantly accelerate our growth in the coming two years.

*Strategic roadmap: medium-term*

To ensure this, we have embarked upon a series of strategic initiatives. An entire package of measures that we are taking to increase our efficiency and profitability. All business segments are included. The program will run over several years. The interim goal is set for 2023, but the measures will impact well beyond then.

It is still too early for concrete details. The goal is defined, but not the exact route. Essentially, it will be about examining our existing structures and business models. Is there a good reason for everything we are doing? And the way we are doing it? Are we duplicating – or even tripling – some things? Where are synergies feasible?

*Initiatives to increase efficiency and profitability*

A few examples: Our purchasing processes, which could be optimized. We could also bundle service functions even closer together. In our hospitals, as was mentioned, we are building stronger regional networks. The hospitals will specialize more.

In some areas, we will also adjust our capacity. Adjust it to changes in demand. In our German hospitals, for example, where some medical positions will be eliminated. The reason: People's needs change. There is an ongoing trend toward more outpatient procedures, and we must take this into account – while ensuring there is not the least reduction in care.



We are proceeding very carefully, in a targeted way, location by location. In some hospitals there will be eight or nine fewer positions. In other hospitals two or three. In some hospitals there will be no reductions. Or one or more positions may even be added. In specific terms, this means that we plan to reduce our overall medical service personnel by about 3 percent.

At the same time, we are expanding our outpatient and digital offering. To seamless care across sectors. That is good for patients, and it is good for our healthcare system. Naturally, it also helps to secure our success as a company – and to sustain tens of thousands of jobs at Helios.

These are just some of the approaches we are taking. As was said: This is still the beginning. We are examining and planning. But I hope this gives you an idea where we are headed.

Naturally, as part of this we want to reduce costs, and we expect sustainable savings starting in 2023. These will involve at least €100 million annually after tax and minority interests. I do not want to rule out that we will divest some areas of our portfolio. Or locations. But that is neither certain, nor is it the focus. This is not about streamlining or cutting back for the sake of it. It is about making our company more efficient and stronger. Our first goal will be to free up the means to do better, more important things. Things that will help us to expand our business. To grow further.

#### *New areas of growth*

For example, in our new growth fields. I have already mentioned three of them: Biosimilars, home dialysis and reproductive medicine. We will also significantly expand our digital offering; the coronavirus has provided a huge boost to this field. Consider telemedicine: This an area to which the pandemic has opened many people's eyes. In general terms: Much of what is done now for inpatients will in future be done on an outpatient basis. And much of what is now done for outpatients will be done at home. Networking will also play an increasingly important role. As will artificial intelligence. We see clear confirmation of our approach and are working full speed to expand our offering.

And what about our Group structure? Will it also be reexamined? The fact here is: We are almost always looking at our structure. This is an entirely normal process. There are no taboos. Nothing that cannot be questioned. Should we conclude that structural changes are necessary, and can help us achieve our goals faster, then we will look at our options very carefully. But as things stand now, I think our existing structure is the right one. It has served us very well over the years. With it we are well positioned for the tasks that await us.

*Our commitment: Ever better medicine for ever more people*

Dear Shareholders!

This closes my address. I hope you have gotten a good overview. Where do we stand? Where are we going? In summary: We have a challenging year behind us, and the challenges persist. We have made our contribution. Even in a pandemic, we ensured care for patients. And beyond the pandemic, we also reached milestones: Although the coronavirus burdened our business, we still performed well for the year. We reached our targets. We are proposing our 28<sup>th</sup> consecutive dividend increase. We launched initiatives to become more efficient and profitable. We have set down a plan for accelerated growth through 2023. And we have confirmed our ambitious medium-term targets.

I have great confidence in our strategy. Our future continues to look good. We will be needed. We will provide ever more people with ever better medicine. We will again grow dynamically in the coming years. And by doing this we will make Fresenius even more valuable.

I am also confident that we will soon turn the corner on the pandemic. Fresenius will continue to contribute here. The situation is still serious, so we must remain vigilant. The virus has shown us how adaptable it is. Mutations pose a great danger. But there is light at the end of the tunnel: We have a chance to get the virus under control. To bring the suffering and death to an end, and gradually return to normality. Step by step. That will be a huge burden lifted. Then it will be possible to meet in person again, as in the photo from 2019. I look forward to that.

Now, though, I am looking forward to taking your questions.