



**FRESENIUS
MEDICAL CARE**

**SHAPING
A
SUSTAINABLE**

**INTERIM REPORT
2023**

**TO
MORROW**

**INTERIM REPORT
ON IFRS**

**FRESENIUS MEDICAL CARE AG & CO. KGAA,
HOF AN DER SAALE, GERMANY**

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Interim management report

In this report, “FMC AG & Co. KGaA,” or the “Company,” “we,” “us” or “our” refers to Fresenius Medical Care AG & Co. KGaA or Fresenius Medical Care AG & Co. KGaA and its subsidiaries on a consolidated basis, as the context requires. You should read the following discussion and analysis of the results of operations of the Company and its subsidiaries in conjunction with our interim consolidated financial statements and related notes contained elsewhere in this report and our disclosures and discussions in our consolidated financial statements and in our management report as of and for the year ended December 31, 2022, prepared in accordance with sections 315 of the German Commercial Code (HGB) as well as the German Accounting Standard Number 20, contained in the Company’s Annual Report 2022.

Effective as of January 1, 2023, we commenced reporting reflecting our new global operating model in which we reorganized our business into two global operating segments. Prior to January 1, 2023, discrete financial information was not provided to the chief operating decision maker on the basis of the new structure and the necessary system and reporting changes to effect the new structure were not in place. The term “Care Enablement” refers to our Care Enablement operating segment, which includes research and development, manufacturing, supply chain and commercial operations, as well as supporting functions, such as regulatory and quality management. The term “Care Delivery” refers to the Care Delivery operating segment, which is primarily engaged in providing services for the treatment of end-stage renal disease (ESRD) and other extracorporeal therapies, including value and risk-based care programs, and also includes the pharmaceutical products business and the income from equity method investees related to the sale of certain renal pharmaceuticals from Vifor Fresenius Medical Care Renal Pharma Ltd. in the United States (U.S.), which are used in our clinics to provide health care services to our patients. Our Global Medical Office, which seeks to optimize medical treatments and clinical processes within the Company and supports both Care Delivery and Care Enablement, is centrally managed and its profit and loss are allocated to the segments. Similarly, we allocate costs related primarily to headquarters’ overhead charges, including accounting and finance as well as certain human resources, legal and IT costs, as we believe that these costs are attributable to the segments and used in the allocation of resources to Care Delivery and Care Enablement. These costs are allocated at budgeted amounts, with the difference between budgeted and actual figures recorded at the corporate level. However, certain costs, which relate mainly to shareholder activities, management activities as well as global internal audit, are not allocated to a segment but are accounted for as corporate expenses (Corporate). Financing is a corporate function which is not controlled by the operating segments. Therefore, the Company does not include interest expense relating to financing as a segment measurement. In addition, the Company does not include income taxes as it believes taxes are outside the segments’ control. These activities do not fulfill the definition of a segment according to IFRS 8, Operating Segments and are also reported separately as Corporate. See note 13 included in this report for a further discussion on our operating segments.

The term “Constant Currency” or at “Constant Exchange Rates” means that we have translated local currency revenue, operating income, net income attributable to shareholders of FMC AG & Co. KGaA and other items for the current reporting period into euro using the prior year exchange rates to provide a comparable analysis without effect from exchange rate fluctuations on translation, as described below under Section II .“Discussion of measures – Non-IFRS® measures” in the chapter “Economic report”.

Forward-looking statements

This report contains forward-looking statements. When used in this report, the words “outlook,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “guidance,” “target” and similar expressions are generally intended to identify forward looking statements. Although we believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not be anticipated. Additionally, subsequent events and actual results, financial and otherwise, have differed in the past and, going forward, could differ materially from those set forth in or contemplated by the forward-looking statements contained elsewhere in this report. We have based these forward-looking statements on current estimates and assumptions made to the best of our knowledge. By their nature, such forward-looking statements involve risks, uncertainties, assumptions and other factors which could cause actual results, including our financial condition and profitability, to differ materially, positively or negatively, relative to the results expressly or implicitly described in or suggested by these statements. Moreover, forward-looking estimates or predictions derived from third parties’ studies or information may prove to be inaccurate. Consequently, we cannot give any assurance regarding the future accuracy of the opinions set forth in this report or the actual occurrence of the projected developments described herein. In addition, even if our future results meet the expectations expressed here, those results may not be indicative of our performance in future periods.

These risks, uncertainties, assumptions, and other factors, including associated costs, could cause actual results to differ from our projected results and include, among others, the following:

- changes in governmental and private payor reimbursement for our complete products and services portfolio, including the U.S. Medicare reimbursement system for dialysis and other health care services, including potentially significant changes to the Patient Protection and Affordable Care Act of 2010 (Pub.L. 111-148), as

amended by the Health Care and Education Reconciliation Act (Pub.L. 111-152) (collectively, ACA) that could result from future efforts to revise or repeal the ACA, and changes by regulators to certain reimbursement models, such as the ESRD Treatment Choices (ETC) model and the Comprehensive Kidney Care Contracting (CKCC) model, which could significantly impact performance under these models in unanticipated ways;

- our ability to accurately interpret and comply with complex current and future government regulations applicable to our business including sanctions and export control laws and regulations, laws and regulations in relation to environmental, social and governance topics, the impact of health care, tax and trade law reforms, in particular the Organisation for Economic Co-operation and Development initiatives for the reallocation of taxation rights to market countries (Pillar one) and introduction of a global minimum tax (Pillar two) as well as potential U.S. tax reform, antitrust and competition laws in the countries and localities in which we operate, other government regulation including, in the U.S., the federal Medicare and Medicaid Fraud and Abuse Amendments of 1977, as amended (the Anti-Kickback Statute), the False Claims Act, the federal Physician Self-Referral Law (the Stark Law), the Civil Monetary Penalty Law, the Health Insurance Portability and Accountability Act, the Health Information Technology for Economic and Clinical Health Act, the Foreign Corrupt Practices Act (FCPA) as well as the Food, Drug and Cosmetic Act and, outside the U.S., inter alia, the European Union (EU) Medical Device Regulation, the EU General Data Protection Regulation, the two invoice policy, “Buy China” policy, volume-based procurement policies and the Tendering and Bidding Law in China and other related local legislation as well as other comparable regulatory regimes in many of the countries where we supply health care services and/or products;
- the influence of private payors (including integrated care organizations, commercial insurance and Medicare Advantage plans, also known as Medicare Part C, offered by private health insurers approved by CMS to provide their members with Medicare Part A, Part B and usually Part D benefits (Medicare Advantage or MA plans) as well as efforts by these organizations to manage costs by limiting health care benefits, narrowing their networks, reducing provider reimbursement and/or restricting options for patient funding of health insurance premiums, including potential efforts by employer group health plans (EGHPs) and commercial insurers to make dialysis reimbursement payments at a lower “out-of-network” rate as a result of the U.S. Supreme Court’s ruling in *Marietta Memorial Hospital Employee Health Benefit Plan, et al. v. DaVita Inc. et al.* 142 S. Ct. 1968 (2022), particularly if the U.S. Congress fails to enact proposed legislation that would reverse the effects of that decision;
- the impact of worldwide pandemics (for example, the severe acute respiratory syndrome coronavirus 2 and the related Coronavirus disease (COVID-19) pandemic), including, without limitation, a significant increase in mortality of patients with chronic kidney diseases as well as an increase in persons experiencing renal failure, the impacts of global viruses on our patients, caregivers, employees, suppliers, supply chain, business and operations, and consequences of economic downturns resulting from global pandemics;
- our ability to attract and retain skilled employees and risks that personnel shortages and competition for labor, high turnover rates and meaningfully higher personnel costs, including higher costs due to increased reliance on contracted labor, as well as legislative, union, or other labor-related activities or changes have and will continue to result in significant increases in our operating costs, decreases in productivity and partial suspension of operations and to impact our ability to address additional treatments and growth recovery;
- the increase in raw material, energy, labor and other costs, including an impact from these cost increases on our cost savings initiatives and increases due to geopolitical conflicts in certain regions (for example, impacts related to the war between Russia and Ukraine (Ukraine War)) as well as the impact that inflation may have on a potential impairment of our goodwill, investments or other assets as noted above;
- the outcome of government and internal investigations as well as litigation;
- product liability risks and the risk of recalls of our products by regulators;
- our ability to continue to grow our health care services and products businesses, including through acquisitions, and to implement our strategy;
- the impact of currency and interest rate fluctuations, including the heightened risk of fluctuations as a result of geopolitical conflicts in certain regions, the impact of the current macroeconomic inflationary environment on interest rates and a related effect on our borrowing costs;
- potential impairment of our goodwill, investments or other assets due to decreases in the recoverable amount of those assets relative to their book value, particularly as a result of sovereign rating agency downgrades coupled with an economic downturn in various regions or as a result of geopolitical conflicts in certain regions;
- our ability to protect our information technology systems and protected health information against cyber security attacks or prevent other data privacy or security breaches of our data or the data of our third parties as well as our ability to effectively capture efficiency goals and align with contractual and other requirements related to data offshoring activities;
- changes in our costs of purchasing and utilization patterns for pharmaceuticals and our other health care products and supplies, the inability to procure raw materials or disruptions in our supply chain;

- introduction of generic or new pharmaceuticals and medical devices that compete with our products or services or the increased utilization of pharmaceuticals that reduce the progression of chronic kidney disease;
- launch of new technology, advances in medical therapies, or new market entrants that compete with our businesses;
- potential increases in tariffs and trade barriers that could result from withdrawal by single or multiple countries from multilateral trade agreements or the imposition of sanctions, retaliatory tariffs and other countermeasures in the wake of trade disputes and geopolitical conflicts in certain regions;
- collectability of our receivables, which depends primarily on the efficacy of our billing practices, the financial stability and liquidity of our governmental and private payors and payor strategies to delay, dispute or thwart the collection process;
- our ability to secure contracts and achieve cost savings and desired clinical outcomes in various health care risk management programs in which we participate or intend to participate;
- the greater size, market power, experience and product offerings of certain competitors in certain geographic regions and business lines;
- the use of accounting estimates, judgments and accounting pronouncement interpretations in our consolidated financial statements;
- our ability to achieve projected cost savings within the proposed timeframe as part of the previously announced transformation of our operating structure and steps to achieve cost savings (FME25 Program) and through the divestiture of non-core and dilutive assets as well as the possibility that changing or increasing responsibilities of our employees as a result of this transformation could require additional resources in the short-term; and
- our ability to achieve projected price increases for our products and corresponding services.

Important factors that could contribute to such differences are noted in the chapter “Economic report”, section I. “Macroeconomic and sector-specific environment” below, in note 4 e) and note 11 included in this report and in note 22 of the notes to the consolidated financial statements as well as chapter “Risks and opportunities report”, section “Risks” in the group management report of the Annual Report 2022. Additional factors can also be found under “Risk Factors” in our Information Statement/Prospectus dated June 6, 2023 (Registration No. 333-271081) that we issued in connection with the Extraordinary General Meeting (EGM) held on July 14, 2023 to resolve the Conversion. Further information regarding our efforts to address various environmental, social and governance issues can be found within our Non-financial Group Report available at www.freseniusmedicalcare.com/en/investors/investors-overview/. In referencing our Non-financial Group Report and furnishing this website address in this report, however, we do not intend to incorporate any content from our Non-financial Group Report or information on our website into this report, and any information in our Non-financial Group Report or on our website should not be considered to be part of this report, except as expressly set forth herein.

Our business is also subject to other risks and uncertainties that we describe from time to time in our periodic public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

The actual accounting policies, the judgments made in the selection and application of these policies, as well as the sensitivities of reported results to changes in accounting policies, assumptions and estimates, are additional factors to be considered along with our interim financial statements and the discussion under “III. Results of operations, financial position and net assets” below. For a discussion of our critical accounting policies, see note 2 of the notes to the consolidated financial statements included in our Annual Report 2022.

Rounding adjustments applied to individual numbers and percentages shown in this and other reports may result in these figures differing immaterially from their absolute values. Some figures (including percentages) in this report have been rounded in accordance with commercial rounding conventions. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in this report. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in this report due to rounding in accordance with commercial rounding conventions. A dash (–) indicates that no data were reported for a specific line item in the relevant financial year or period, while a zero (0) is used when the pertinent figure, after rounding, amounts to zero.

Economic Report

I. Macroeconomic and sector-specific environment

Overview

We are the world's leading provider of products and services for individuals with renal diseases based on publicly reported revenue and number of patients treated. We provide dialysis and related services for individuals with renal diseases as well as other health care services. We also develop, manufacture and distribute a wide variety of health care products. Our health care products include hemodialysis machines, peritoneal dialysis cyclers, dialyzers, peritoneal dialysis solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals, systems for water treatment, and acute cardiopulmonary and apheresis products. We supply dialysis clinics we own, operate or manage with a broad range of products and also sell dialysis products to other dialysis service providers. We sell our health care products to customers in around 150 countries and we also use them in our own health care service operations. Our dialysis business is therefore vertically integrated. Our other health care services include value and risk-based care programs, pharmacy services, vascular, cardiovascular and endovascular specialty services as well as ambulatory surgery center services, physician nephrology and cardiology services and ambulant treatment services. We estimate that the size of the global dialysis market was approximately €82 billion in 2022. Dialysis patient growth results from factors such as the aging population and increased life expectancies; shortage of donor organs for kidney transplants; increasing incidence of kidney disease and better treatment of and survival of patients with diabetes, hypertension and other illnesses, which frequently lead to the onset of chronic kidney disease; improvements in treatment quality, new pharmaceuticals and product technologies, which prolong patient life; and improving standards of living in developing countries, which make life-saving dialysis treatment available. We are also engaged in different areas of health care product therapy research.

As a global company delivering health care services and products, we face the challenge of addressing the needs of a wide variety of stakeholders, such as patients, customers, payors, regulators and legislators in many different economic environments and health care systems. In general, government-funded programs (in some countries in coordination with private insurers) pay for certain health care items and services provided to their citizens. Not all health care systems provide payment for dialysis treatment. Therefore, the reimbursement systems and ancillary services utilization environment in various countries significantly influence our business.

Our business is exposed to economic cycles only to a relatively small extent. This sets us apart from manufacturers of consumer goods, for instance, whose products are subject to more cyclical demand. Our business is impacted more by government remuneration systems and reimbursement rates. Dialysis is a vital medical service, which is why it is usually paid for by the responsible health care system. The macroeconomic environment is currently characterized by inflation, resulting in higher raw material costs as well as increased energy prices, although there are indications that raw material markets are stabilizing as expected.

Significant U.S. reimbursement developments

The majority of health care services we provide are paid for by governmental institutions. For the six months ended June 30, 2023, approximately 25% of our consolidated revenue was attributable to U.S. federally-funded health care benefit programs, such as Medicare and Medicaid reimbursement, under which reimbursement rates are set by the Centers for Medicare and Medicaid (CMS). Legislative changes could affect reimbursement rates for a significant portion of the services we provide. The stability of reimbursement in the U.S. has been affected by (i) the ESRD prospective payment system (ESRD PPS), (ii) the U.S. federal government across the board spending cuts in payments to Medicare providers commonly referred to as "U.S. Sequestration" (temporarily suspended from May 1, 2020 through March 31, 2022, after which time a 1% reduction became effective from April 1 to June 30, 2022 and the full 2% sequester resumed on July 1, 2022) and (iii) the reduction to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis pursuant to the American Taxpayer Relief Act of 2012 as subsequently modified under the Protecting Access to Medicare Act of 2014 (PAMA). See detailed discussions on these and further legislative developments below:

- Under the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), for patients with Medicare coverage, all ESRD payments for dialysis treatments are made under the ESRD PPS, a single bundled payment rate which provides a fixed payment rate, to encompass substantially all goods and services provided during the dialysis treatment. MIPPA further created the ESRD Quality Incentive Program (QIP) which provides that dialysis facilities in the United States that fail to achieve annual quality standards established by CMS could have base payments reduced in a subsequent year by up to 2%.
- Additionally, the Budget Control Act of 2011 (BCA) effected a 2% reduction to Medicare payments and subsequent activity in Congress, namely a \$1.2 trillion sequester (across-the-board spending cuts) in discretionary programs (U.S. Sequestration) took effect on April 1, 2013 and continues in force. The 2% sequestration was temporarily suspended several times subsequent to May 1, 2020 as part of the U.S. government's efforts to address the COVID-19 pandemic. In March 2021, President Biden signed the American Rescue Plan Act of 2021 (the American Rescue Plan Act) which the Congressional Budget Office has estimated will result in budget deficits that required a 4% reduction in Medicare program payments for 2022 under the Statutory Pay-As-You-Go Act of 2010 (Statutory PAYGO). The Protecting Medicare and

American Farmers from Sequester Cuts Act deferred until 2023 the 4% reduction in Medicare program payments that would have been triggered by Statutory PAYGO as a result of the budgetary impact of the American Rescue Plan Act. However, the Consolidated Appropriations Act of 2023 again suspended Statutory PAYGO sequestration for 2023 and 2024. Spending cuts pursuant to U.S. Sequestration have adversely affected our operating results in the past and, with the suspension having been lifted, will continue to do so. In addition, options to restructure the Medicare program in the direction of a defined contribution, “premium support” model and to shift Medicaid funding to a block grant or per capita arrangement, with greater flexibility for the states, have been proposed or considered from time to time. Changes in payment methodologies and funding or payment requirements of (without limitation) the ESRD PPS, the Physician Fee Schedule, the Clinical Laboratory Fee Schedule, and the Ambulatory Surgical Center Payment System may have material effects on our operating results. We may also experience changes in the interpretation of government regulations by the courts. We have very little opportunity to influence or predict the magnitude of those changes.

- On June 26, 2023, CMS issued a proposed rule for the ESRD PPS rate for calendar year (CY) 2024. The proposed base rate per treatment for CY 2024 is \$269.99, which would represent a 1.7% increase from the CY 2023 base rate of \$265.57. The proposed 1.7% increase is based on a market basket increase of 2.0% partially offset by a 0.3% multifactor productivity adjustment that is mandated by the ACA. The proposed rule provides for a routine update to the wage index based on existing policy, which we believe does not fully account for the significant increase in labor costs over the past few years. The Acute Kidney Injury payment rate for CY 2024 is to equal the CY 2024 ESRD PPS base rate. CMS notes that the 1.0 percent target for ESRD outlier payments was not achieved in CY 2022. Outlier payments represented approximately 0.9 percent of total payments rather than 1.0 percent, very close to the target compared to prior years. CMS proposed policies clarifying criteria for the transitional add-on payment adjustment for new and innovative equipment and supplies (TPNIES). CMS has proposed a change to the ESRD PPS transitional drug add-on payment adjustment (TDAPA) related policy for CY 2024. CMS is proposing a new add-on payment adjustment for certain new renal dialysis drugs and biological products in existing ESRD PPS functional categories after the end of the TDAPA period. CMS terms this the “post-TDAPA payment adjustment.” CMS also proposes to establish and apply a new add-on payment adjustment of 30 percent of the per treatment payment amount to all renal dialysis services furnished to pediatric ESRD patients effective January 1, 2024, for CYs 2024, 2025 and 2026. CMS is also formally proposing to require ESRD facilities to report “time on machine” (that is, the amount of time that a beneficiary spends receiving an in-center hemodialysis treatment) on claims. The overall impact of the CY 2024 changes is projected to be a 1.6 percent increase in Medicare payments. CMS estimates that the aggregate ESRD PPS expenditures would increase by approximately \$130 million in CY 2024 compared to CY 2023. This reflects a \$140 million increase from the proposed payment rate update, including approximately \$1.7 million in estimated TDAPA payments.
- Under the ESRD QIP, CMS assesses the total performance of each facility on a set of measures specified per payment year and applies up to a 2 percent payment reduction to facilities that do not meet a minimum total performance score. In the CY 2024 proposed rule, CMS proposes to add or modify a number of measures in the proposed rule effective in both 2026 and 2027 including the “Screening for Social Drivers of Health” reporting measure, the “Facility Commitment to Health Equity” reporting measure and others. CMS is also proposing to remove several measures including the “Ultrafiltration Rate” reporting measure.
- On July 13, 2023, CMS announced the CY 2024 proposed rule for hospital outpatient and ambulatory surgery center (ASC) payment systems. The proposed rule to update the ASC payment system for CY 2024 generally increases the reimbursement rates for the range of procedures provided in an ASC. The proposed average increase is 2.8% compared to the prior year. On July 13, 2023, CMS also issued the proposed Physician Fee Schedule for CY 2024. The proposed CY 2024 Physician Fee Schedule conversion factor is \$32.75, a decrease of \$1.14 (or 3.34%) from the current CY 2023 conversion factor of \$33.89. By factors specified in law, overall payment rates under the Physician Fee Schedule are proposed to be reduced by 1.25% in CY 2024 compared to CY 2023. The Consolidated Appropriations Act of 2023 provides for a 1.25% increase to the conversion factor in 2024 to mitigate expected cuts.
- On April 29, 2022, CMS issued a final rule for CY 2023 Medicare Advantage plans in which CMS finalized a requirement that MA plans calculate the maximum out-of-pocket (MOOP) limit (after which the plan pays 100 percent of MA costs) based on the accrual of all Medicare cost-sharing in the plan benefit, whether that Medicare cost-sharing is paid by the beneficiary, Medicaid or other secondary insurance, or remains unpaid (including when the cost-sharing is not paid because of state limits on the amounts paid for Medicare cost-sharing and the exemption for dually eligible individuals’ (i.e., individuals who are entitled to Medicare Part A and/or Part B and are eligible for some form of Medicaid benefit) from Medicare cost-sharing). While some payors were already calculating MOOP in this way, the rule change potentially limits the amount of uncollected cost-sharing we will experience for dual eligible patients in 2023. CMS projects that the change will save state Medicaid agencies \$2 billion (€2 billion) over ten years while increasing payment to health care providers, including dialysis providers, serving dually eligible beneficiaries by \$8 billion (€8 billion) over ten years. We have managed care contracts to provide services as in-network providers with many Medicare Advantage and commercial insurance plans. Medicare Advantage plans are required to pay to their out-of-network providers at least the rate applicable in the traditional Medicare fee-for-service program. As a result, Medicare

Advantage plans with which we do not have a contract will pay at least 80 percent of the prospective payment amount for the ESRD PPS items and services we provide their members. On May 22, 2020, CMS issued a regulation that removed outpatient dialysis from its list of specialty facilities that are subject to specific time-and-distance standards regarding Medicare Advantage network adequacy. While we have seen no material impact to date, this regulation may impede our ability to participate in Medicare Advantage plan networks in the future.

Presently, there is considerable uncertainty regarding possible future changes in health care regulation, including the regulation of reimbursement for dialysis services. As a consequence of the pressure to decrease health care costs, government reimbursement rate increases in the U.S. have historically been limited and are expected to continue in this fashion. However, any significant decreases in Medicare, commercial insurance or Medicare Advantage plans or patient access to commercial insurance or Medicare Advantage plans could have material adverse effects on our health care services business and, because the demand for dialysis products is affected by Medicare reimbursement, on our products business. To the extent that increases in operating costs that are affected by inflation, such as labor and supply costs, are not fully reflected in a compensating increase in reimbursement rates, our business and results of operations would be adversely affected. In addition, the United States Supreme Court's recent ruling in *Marietta Memorial Hospital Employee Health Benefit Plan, et al. v. DaVita Inc. et al.* 142 S. Ct. 1968 (2022) (*Marietta*) will make it easier for health plans to design plan benefits for Medicare eligible ESRD patients in a way that makes commercial insurance relatively less attractive to ESRD patients and Medicare relatively more attractive. The *Marietta* ruling may also result in certain EGHPs reducing the benefits offered for dialysis, which could, depending on the number of patients impacted, have a material and adverse impact on our business, financial condition and results of operation. In July and August 2022, the Restore Protections for Dialysis Patients Act (H.R. 8594/S. 4750) was introduced in both the House and Senate. The intent of the bill is to return to the understanding of the Medicare Secondary Payer Act before the *Marietta* decision. The sponsors of the bill are working to introduce a bill in the current U.S. Congress that would address the *Marietta* decision. While we do not expect this to significantly impact plans for 2023, Medicare and Medicaid reimbursement rates are generally lower than the reimbursement rates paid by commercial insurers and a shift of commercially insured patients to Medicare and Medicaid could have a material adverse impact on our business, financial condition and results of operations in 2024 and beyond. For additional information regarding these regulatory matters, see chapter "Risks and opportunities report" section "Health care reforms" in the group management report which is included in the Annual Report 2022.

For additional information, see section "Risks" in our "Risks and opportunities report" in the group management report of the Annual Report 2022.

Premium assistance programs

The operation of charitable insurance premium assistance programs such as that offered by the American Kidney Fund has received increased attention over the last few years by CMS and state insurance regulators and legislators. The result may be a regulatory framework that differs from the current framework or that varies from state to state. Even in the absence of actions by CMS or state regulators and legislatures to restrict the access that patients currently have to premium assistance programs, insurers are likely to continue efforts to thwart charitable premium assistance by premium assistance programs to our patients. If successful in a material area or scope of our U.S. operations, these efforts would have a material adverse impact on our business and operating results.

Executive order-based models

On July 10, 2019, an Executive Order on advancing kidney health was signed in the United States. Among other things, the order instructed the Secretary of the U.S. Department of Health and Human Services (HHS) to develop new Medicare payment models to encourage identification and earlier treatment of kidney disease as well as increased home dialysis and transplants. One of those models, for which the rule was finalized on September 29, 2020 and later amended through finalized changes on October 29, 2021, the ESRD ETC model, is a mandatory model that creates financial incentives for home treatment and kidney transplants with a start date in January 2021 and ending in June 2027. This model applies both upside and downside payment adjustments to claims submitted by physicians and dialysis facilities for certain Medicare home dialysis patients over the span of six and one-half years. Participants in this model are based on a random selection of 30% of the Hospital Referral Regions. As of June 30, 2023, 976 of our U.S. dialysis facilities, representing approximately 35% of our U.S. dialysis facilities, are within the random selection of Hospital Referral Regions and therefore are in areas selected for participation in the model. An initial upside-only payment, Home Dialysis Payment Adjustment (HDP), will be applied for the first three years of the model, beginning in January 2021, in decreasing payment adjustments ranging from 3% in the first HDP payment year, to 2% in the second HDP payment year, and to 1% in the final HDP payment year. This model also includes a Performance Payment Adjustment (PPA) beginning in July 2022. PPA payments will be a combined calculation of home dialysis (home, self-dialysis and nocturnal in-center) and transplant (living donor transplants and transplant waitlist) rates based upon a participant's historic performance and/or increasingly weighted benchmark data from comparison geographic areas. CMS utilizes a two-tiered approach in PPA scoring to stratify participants with a high volume of beneficiaries who are dual-eligible for Medicare and Medicaid or Low Income Subsidy recipients. Possible PPA payment adjustments increase over time and will range from (5%) to 4% in the first PPA payment year (beginning July 2022) for both physicians and facilities and increase to (9%) and 8% for physicians and (10%) and 8% for facilities in the final PPA payment year (ending in June 2027).

On October 31, 2022, CMS finalized refinements to the ETC model, including a change to the improvement in scoring methodology and a change to the requirements related to flexibilities regarding furnishing and billing kidney disease patient education services under the ETC model. CMS also discussed its intent to publish participant-level performance data. These changes did not result in additional estimated savings to the Medicare program. At this time, our payment adjustments from the ETC model have resulted in a net positive adjustment.

Pursuant to the Executive Order, the Secretary of HHS also announced voluntary payment models, Kidney Care First (KCF) and CKCC models (graduated, professional and global), which aim to build on the existing Comprehensive ESRD Care model. These voluntary models create financial incentives for health care providers to manage care for Medicare beneficiaries with chronic kidney disease stages 4 and 5 and with ESRD, to delay the start of dialysis, and to incentivize kidney transplants. The voluntary models allow health care providers to take on various amounts of financial risk by forming an entity known as a Kidney Care Entity (KCE). Two options, the CKCC global and professional models, allow renal health care providers to assume upside and downside financial risk. A third option, the CKCC graduated model, is limited to assumption of upside risk, but is unavailable to KCEs that include large dialysis organizations such as the Company. Under the global model, the KCE is responsible for 100 percent of the total cost of care for all Medicare Part A and B services for aligned beneficiaries, and under the professional model, the KCE is responsible for 50 percent of such costs. Applications for the voluntary models were submitted in January 2020. We submitted 25 CKCC applications to participate in the professional model and were also included in four other CKCC applications submitted by nephrologists. All 29 of these KCE applications were accepted in June 2020. Of the 29 accepted applications, 28 KCEs have elected to participate in the implementation period, which started on October 15, 2020, and provided a start-up period during which the KCE is not at financial risk. The KCEs started assuming financial risk at the start of the first performance year on January 1, 2022. Of the 28 KCEs participating in the implementation period, we moved forward with 20 of the KCEs during the first performance year. The CKCC model is expected to run through 2026. For the second performance year in the CKCC model, we submitted 4 additional CKCC applications (3 under the professional option and 1 under the global option) and were also included in one other CKCC application submitted by nephrologists under the global option. All 5 applications were accepted, though we notified CMS that we will not move forward with one of those applications. These newly accepted KCEs started assuming financial risk as of January 1, 2023. As of June 2023, approximately 60,000 patients were aligned to KCEs in which we participated.

Company structure

As noted above, on January 1, 2023 we commenced reporting reflecting our new global operating model in which we reorganized our business into two global operating segments: Care Delivery and Care Enablement. Items allocated to Corporate, as defined above, are excluded from our analysis of segment results and are discussed below in the discussion of our consolidated results of operations. See note 13 included in this report for a further discussion on our operating segments.

On February 21, 2023, the supervisory board of Fresenius Medical Care Management AG (Management AG) approved the management board of Management AG's (Management Board) resolution to initiate firm plans for a change of the legal form of the Company from a partnership limited by shares (*Kommanditgesellschaft auf Aktien – KGaA*) into a German stock corporation (*Aktiengesellschaft – AG*) (the Conversion). An EGM of the Company was held on July 14, 2023 to resolve on the Conversion. In connection with the EGM, the Company filed a registration statement on Form F-4 with the SEC that was declared effective on June 6, 2023. The Information Statement/ Prospectus included in the F-4 registration statement was made available to the Company's shareholders and contains additional information regarding the proposed change of legal form and is available on the SEC's website, www.sec.gov. At the EGM, shareholders approved the proposed resolutions by the required majority. Upon effectiveness of the Conversion, which will occur upon registration of the Conversion with the competent commercial register, Management AG, a subsidiary of Fresenius SE & Co. KGaA (Fresenius SE), will exit the Company and Fresenius SE will cease to control (as defined by IFRS 10, Consolidated Financial Statements) the Company. Additionally, on July 10, 2023, the Company announced the appointment of Martin Fischer as Chief Financial Officer and a member of the Management Board, effective as of October 1, 2023. Mr. Fischer will then become a member of the management board of Fresenius Medical Care AG. For further information regarding the results of the resolutions and changes to our management and supervisory boards (including the appointment of Mr. Fischer), see note 14 included in this report.

II. Discussion of measures

Non-IFRS measures

Certain of the following financial measures and other financial information as well as discussions and analyses set out in this report include measures that are not defined by IFRS Accounting Standards (Non-IFRS Measure). We believe this information, along with comparable IFRS Accounting Standards financial measurements, is useful to our investors as it provides a basis for assessing our performance, payment obligations related to performance-based compensation, our compliance with covenants and enhanced transparency as well as comparability of our results. Non-IFRS® financial measures should not be viewed or interpreted as a substitute for financial information presented in accordance with IFRS Accounting Standards.

Constant Exchange Rates or Constant Currency (Non-IFRS Measure)

Our presentation of some financial measures used in this report such as changes in revenue, operating income and net income attributable to shareholders of FMC AG & Co. KGaA (or net income) includes the impact of translating local currencies to our reporting currency for financial reporting purposes. We calculate and present these financial measures using both IFRS Accounting Standards and at constant exchange rates in our publications to show changes in these metrics and other items without giving effect to period-to-period currency fluctuations. Under IFRS Accounting Standards, amounts received in local (non-euro) currency are translated into euro at the average exchange rate for the period presented. Once we translate the local currency for the constant currency, we then calculate the change, as a percentage, of the current period calculated using the prior period exchange rates versus the prior period. This resulting percentage is a Non-IFRS Measure referring to a change as a percentage at constant currency. These currency-adjusted financial measures are identifiable by the designated terms “Constant Exchange Rates” or “Constant Currency.”

We believe that the measures at Constant Currency are useful to investors, lenders and other creditors because such information enables them to gauge the impact of currency fluctuations on our revenue, operating income, net income attributable to shareholders of FMC AG & Co. KGaA and other items from period to period. In addition, under our long-term incentive plans, we measure the attainment of certain predetermined financial targets for revenue growth and net income growth in Constant Currency. However, we limit our use of Constant Currency period-over-period changes to a measure for the impact of currency fluctuations on the translation of local currency into euro. We do not evaluate our results and performance without considering both:

- (1) period-over-period changes in revenue, operating income, net income attributable to shareholders of FMC AG & Co. KGaA and other items prepared in accordance with IFRS Accounting Standards, and
- (2) Constant Currency changes in revenue, operating income, net income attributable to shareholders of FMC AG & Co. KGaA and other items.

We caution the readers of this report not to consider these measures in isolation, but to review them in conjunction with changes in revenue, operating income, net income attributable to shareholders of FMC AG & Co. KGaA and other items prepared in accordance with IFRS Accounting Standards. We present the growth rate derived from non-IFRS measures next to the growth rate derived from IFRS Accounting Standards measures such as revenue, operating income, net income attributable to shareholders of FMC AG & Co. KGaA and other items. As the reconciliation is inherent in the disclosure included within "III. Results of operations, financial position and net assets," below, we believe that a separate reconciliation would not provide any additional benefit.

Performance indicators excluding special items

The primary key performance indicators are used in the management of the Company, including the preparation of the outlook, at Constant Currency excluding special items. Therefore, management believes that there are special items which should also be excluded from primary key performance indicators at Constant Currency in external reporting to enhance transparency and comparability. Special items are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance (Special Items). In the presentation of the expected development of our business in our outlook, Special Items are therefore excluded. Presenting our results excluding Special Items ensures comparability of the figures presented with the Company's financial targets which have been defined excluding Special Items.

For the six months ended June 30, 2022, we identified the costs related to the FME25 Program, the Impacts Related to the War in Ukraine, the Humacyte Investment Remeasurement and the Hyperinflation in Türkiye and for the six months ended June 30, 2023, we identified the costs related to the FME25 Program, the Humacyte Investment Remeasurement, the Legal Form Conversion Costs as well as the impacts from Legacy Portfolio Optimization (each defined below) as Special Items which, when excluded from the results disclosed, may provide a reader with further useful information in assessing our performance. These results at Constant Currency excluding Special Items are presented as part of the discussion of our results of operations together with reconciliations of the performance indicators for our Consolidated financial statements prepared in accordance with IFRS Accounting Standards to the performance indicators at Constant Currency excluding Special Items. These results at Constant Currency excluding Special Items should only be viewed as a supplement to our results disclosed in accordance with IFRS Accounting Standards.

Return on invested capital (ROIC) (Non-IFRS Measure)

ROIC is the ratio of operating income, for the last twelve months, after tax (net operating profit after tax or NOPAT) to the average invested capital of the last five quarter closing dates, including adjustments for acquisitions and divestitures made during the last twelve months with a purchase price above a €50 M threshold, consistent with the respective adjustments made in the determination of adjusted EBITDA below (see “Net leverage ratio (Non-IFRS Measure)”). ROIC expresses how efficiently we allocate the capital under our control or how well we employ our capital with regard to investment projects. The following tables show the reconciliation of average invested capital to total assets, which we believe to be the most directly comparable IFRS Accounting Standards financial measure, and how ROIC is calculated:

Reconciliation of average invested capital and ROIC (Non-IFRS Measure, unadjusted)

in € M, except where otherwise specified

2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Total assets	34,960	35,501	35,754	38,406	36,070
Plus: Cumulative goodwill amortization and impairment loss	644	640	645	699	665
Minus: Cash and cash equivalents ⁽¹⁾	(1,363)	(1,224)	(1,274)	(1,114)	(1,025)
Minus: Loans to related parties	—	—	(1)	(3)	(1)
Minus: Deferred tax assets	(314)	(307)	(313)	(328)	(310)
Minus: Accounts payable to unrelated parties ⁽¹⁾	(721)	(822)	(813)	(828)	(837)
Minus: Accounts payable to related parties	(99)	(91)	(118)	(81)	(102)
Minus: Provisions and other current liabilities ⁽²⁾	(3,018)	(3,007)	(3,008)	(3,488)	(3,222)
Minus: Income tax liabilities	(230)	(215)	(171)	(242)	(207)
Invested capital	29,859	30,475	30,701	33,021	31,031
Average invested capital as of June 30, 2023	31,017				
Operating income	1,441				
Income tax expense ⁽³⁾	(509)				
NOPAT	932				

Adjustments to average invested capital and ROIC

in € M, except where otherwise specified

2023	June 30, 2023	March 31, 2023⁽⁴⁾	December 31, 2022⁽⁴⁾	September 30, 2022⁽⁴⁾	June 30, 2022⁽⁴⁾
Total assets	—	—	—	—	576
Minus: Cash and cash equivalents	—	—	—	—	(55)
Minus: Accounts payable to unrelated parties	—	—	—	—	(9)
Minus: Provisions and other current liabilities ⁽²⁾	—	—	—	—	(4)
Invested capital	—	—	—	—	508
Adjustment to average invested capital as of June 30, 2023	102				
Adjustment to operating income ⁽⁴⁾	(13)				
Adjustment to income tax expense ⁽⁴⁾	5				
Adjustment to NOPAT	(8)				

FRESENIUS MEDICAL CARE AG & Co. KGaA

Reconciliation of average invested capital and ROIC (Non-IFRS Measure)

in € M, except where otherwise specified

2023	June 30, 2023	March 31, 2023⁽⁴⁾	December 31, 2022⁽⁴⁾	September 30, 2022⁽⁴⁾	June 30, 2022⁽⁴⁾
Total assets	34,960	35,501	35,754	38,406	36,646
Plus: Cumulative goodwill amortization and impairment loss	644	640	645	699	665
Minus: Cash and cash equivalents ⁽¹⁾	(1,363)	(1,224)	(1,274)	(1,114)	(1,080)
Minus: Loans to related parties	—	—	(1)	(3)	(1)
Minus: Deferred tax assets	(314)	(307)	(313)	(328)	(310)
Minus: Accounts payable to unrelated parties ⁽¹⁾	(721)	(822)	(813)	(828)	(846)
Minus: Accounts payable to related parties	(99)	(91)	(118)	(81)	(102)
Minus: Provisions and other current liabilities ⁽²⁾	(3,018)	(3,007)	(3,008)	(3,488)	(3,226)
Minus: Income tax liabilities	(230)	(215)	(171)	(242)	(207)
Invested capital	29,859	30,475	30,701	33,021	31,539
Average invested capital as of June 30, 2023	31,119				
Operating income ⁽⁴⁾	1,428				
Income tax expense ^{(3), (4)}	(504)				
NOPAT	924				
ROIC in %	3.0				

Reconciliation of average invested capital and ROIC (Non-IFRS Measure, unadjusted)

in € M, except where otherwise specified

2022	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Total assets	35,754	38,406	36,070	34,724	34,367
Plus: Cumulative goodwill amortization and impairment loss	645	699	665	641	612
Minus: Cash and cash equivalents	(1,274)	(1,114)	(1,025)	(1,173)	(1,482)
Minus: Loans to related parties	(1)	(3)	(1)	(4)	(15)
Minus: Deferred tax assets	(313)	(328)	(310)	(299)	(315)
Minus: Accounts payable to unrelated parties	(813)	(828)	(837)	(790)	(736)
Minus: Accounts payable to related parties	(118)	(81)	(102)	(70)	(121)
Minus: Provisions and other current liabilities ⁽²⁾	(3,008)	(3,488)	(3,222)	(3,188)	(3,319)
Minus: Income tax liabilities	(171)	(242)	(207)	(194)	(174)
Invested capital	30,701	33,021	31,031	29,647	28,817
Average invested capital as of December 31, 2022	30,643				
Operating income	1,512				
Income tax expense ⁽³⁾	(487)				
NOPAT	1,025				

Adjustments to average invested capital and ROIC

in € M, except where otherwise specified

2022	December 31, 2022	September 30, 2022⁽⁴⁾	June 30, 2022⁽⁴⁾	March 31, 2022⁽⁴⁾	December 31, 2021⁽⁴⁾
Total assets	—	—	576	539	528
Minus: Cash and cash equivalents	—	—	(55)	(52)	(51)
Minus: Accounts payable to unrelated parties	—	—	(9)	(8)	(8)
Minus: Provisions and other current liabilities ⁽²⁾	—	—	(4)	(4)	(3)
Invested capital	—	—	508	475	466
Adjustment to average invested capital as of December 31, 2022	290				
Adjustment to operating income ⁽⁴⁾	(25)				
Adjustment to income tax expense ⁽⁴⁾	8				
Adjustment to NOPAT	(17)				

Reconciliation of average invested capital and ROIC (Non-IFRS Measure)

in € M, except where otherwise specified

2022	December 31, 2022	September 30, 2022⁽⁴⁾	June 30, 2022⁽⁴⁾	March 31, 2022⁽⁴⁾	December 31, 2021⁽⁴⁾
Total assets	35,754	38,406	36,646	35,263	34,895
Plus: Cumulative goodwill amortization and impairment loss	645	699	665	641	612
Minus: Cash and cash equivalents	(1,274)	(1,114)	(1,080)	(1,225)	(1,533)
Minus: Loans to related parties	(1)	(3)	(1)	(4)	(15)
Minus: Deferred tax assets	(313)	(328)	(310)	(299)	(315)
Minus: Accounts payable to unrelated parties	(813)	(828)	(846)	(798)	(744)
Minus: Accounts payable to related parties	(118)	(81)	(102)	(70)	(121)
Minus: Provisions and other current liabilities ⁽²⁾	(3,008)	(3,488)	(3,226)	(3,192)	(3,322)
Minus: Income tax liabilities	(171)	(242)	(207)	(194)	(174)
Invested capital	30,701	33,021	31,539	30,122	29,283
Average invested capital as of December 31, 2022	30,933				
Operating income ⁽⁴⁾	1,487				
Income tax expense ^{(3), (4)}	(479)				
NOPAT	1,008				
ROIC in %	3.3				

(1) Includes amounts related to assets, and associated liabilities, classified as held for sale (see note 3 included in this report).

(2) Including non-current provisions, non-current labor expenses and variable payments outstanding for acquisitions and excluding pension liabilities and noncontrolling interests subject to put provisions.

(3) Adjusted for noncontrolling partnership interests.

(4) Including adjustments for acquisitions and divestitures made during the last twelve months with a purchase price above a €50 M threshold.

Net cash provided by (used in) operating activities in % of revenue

Our consolidated statement of cash flows indicates how we generated and used cash and cash equivalents. In conjunction with our other primary interim financial statements, it provides information that helps us evaluate changes to our net assets and our financial structure (including liquidity and solvency). Net cash provided by (used in) operating activities is applied to assess whether a business can internally generate the cash required to make the necessary replacement and expansion of investments. This indicator is impacted by the profitability of our business and the development of working capital, mainly receivables. Net cash provided by (used in) operating activities in percent of revenue shows the percentage of our revenue that is available in terms of financial resources. This measure is an indicator of our operating financial strength.

Free cash flow in % of revenue (Non-IFRS Measure)

Free cash flow (which we define as net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments) refers to the cash flow we have at our disposal, including cash flows that may be restricted for other uses. This indicator shows the percentage of revenue available for acquisitions and investments, dividends to shareholders, reducing debt financing or for repurchasing shares.

For a reconciliation of cash flow performance indicators for the six months ended June 30, 2023 and 2022 which reconciles free cash flow and free cash flow in percent of revenue to Net cash provided by (used in) operating activities and Net cash provided by (used in) operating activities in percent of revenue, see "III. Results of operations, financial position and net assets - Financial position - Sources of Liquidity."

Net leverage ratio (Non-IFRS Measure)

The net leverage ratio is a performance indicator used for capital management. To determine the net leverage ratio, debt and lease liabilities less cash and cash equivalents (net debt) is compared to adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for:

- the effects of acquisitions and divestitures made during the last twelve months with a purchase price above a €50 M threshold as defined in our €2 billion sustainability-linked syndicated revolving credit facility (Syndicated Credit Facility) (see note 8 included in this report),
- non-cash charges,
- impairment loss, and
- special items, including:
 - i. costs related to our FME25 Program,
 - ii. the impact from the initial application of hyperinflationary accounting under IAS 29, Financial Reporting in Hyperinflationary Economies (IAS 29), in Turkiye (Hyperinflation in Turkiye),
 - iii. the impact from the remeasurement of our investment in Humacyte, Inc. (Humacyte Investment Remeasurement),
 - iv. the net gain related to the business combination completed on August 24, 2022 among Fresenius Health Partners, Inc. (FHP), the value-based care division of our previously wholly-owned subsidiary Fresenius Medical Care Holdings, Inc., with InterWell Health LLC, a physician organization driving innovation in the kidney care space in the U.S., and Cricket Health, Inc. (Cricket), a U.S. provider of value-based kidney care with a patient engagement and data platform. The new company operates under the InterWell Health brand (InterWell Health), including the remeasurement gain of our investment, prior to the transaction, in InterWell Health LLC, the impairment of certain long-lived intangible assets belonging to Acumen Physician Solutions, LLC which was transferred to InterWell Health as part of the transaction and certain transaction-related costs (Net Gain Related to InterWell Health) (for further information regarding the InterWell Health business combination, see note 2 included in this report),
 - v. bad debt expense in Russia and Ukraine and the impairment of a production plant and associated machines resulting from economic sanctions imposed on Russia, which negatively impacted our supply chain to the country, as a result of the Ukraine War (Impacts Related to the War in Ukraine). Although to date the Ukraine War has had minimal impact on our impairment testing of goodwill, as we continue to treat patients and provide health care products to our clinics in those countries, receive reimbursements and generate cash flows, it has had an impact on the valuation of certain assets and receivables as a result of the ongoing hostilities,
 - vi. certain costs associated with the proposed conversion of our legal form, primarily related to the requisite relabeling of our products, transaction costs (such as costs for external advisors and conducting an extraordinary general meeting) and costs related to the establishment of dedicated administrative functions required to manage certain services which are currently administered at the Fresenius SE group level and paid by the Company through corporate charges (Legal Form Conversion Costs), and
 - vii. impacts from strategic divestitures identified during the review of our business portfolio, mainly due to exiting unsustainable markets and non-core businesses, as well as the cessation of certain research and development programs to enable more focused capital allocation towards areas in our core business that are expected to have higher profitable growth (Legacy Portfolio Optimization). During the six months ended June 30, 2023, these costs mainly comprise the derecognition of capitalized development costs and the impairment of intangible assets (licenses and distribution rights) as well as termination costs (including certain contractual obligation expenses) related to a dialysis cyclor development program which was discontinued in the first quarter of 2023 and other expenses related to a divestiture agreed upon in the second quarter of 2023 (see note 3 included in this report).

The ratio is an indicator of the length of time the Company needs to service the net debt out of its own resources. We believe that the net leverage ratio provides alternative information that management believes to be useful in assessing our ability to meet our payment obligations in addition to considering the absolute amount of our debt. We have a strong market position in a growing, global and mainly non-cyclical market. Furthermore, most of our customers have a high credit rating as the dialysis industry is characterized by stable and sustained cash flows. We believe this enables us to work with a reasonable proportion of debt.

For our self-set target range for the net leverage ratio and the calculation of the net leverage ratio as of June 30, 2023 and December 31, 2022, see "III. Results of operations, financial position and net assets - Financial position - Sources of Liquidity."

III. Results of operations, financial position and net assets

Highlights

The following items represent notable impacts or trends in our business and/or industry for the three and six months ended June 30, 2023:

Legacy Portfolio Optimization

As noted above, we are reviewing our business portfolio, specifically with a view to exiting unsustainable markets and non-core businesses and the cessation of certain research and development programs to enable more focused capital allocation towards areas in our core business that are expected to have higher profitable growth. During the three and six months ended June 30, 2023, the impacts from Legacy Portfolio Optimization mainly comprise the costs described in vii., above, under "Net leverage ratio (Non-IFRS Measure)" (see note 3 included in this report).

Overall, the impacts from Legacy Portfolio Optimization resulted in a negative effect on operating income of €10 M and €94 M for the three and six months ended June 30, 2023, respectively.

Inflation and higher energy prices as well as raw material costs

The challenging macroeconomic inflationary environment persists, resulting in higher raw material costs as well as increased energy prices, although there are indications that raw material markets are stabilizing as expected. As the inflationary environment persists, we expect that earnings development will continue to be significantly impacted, in particular in Care Enablement, for 2023.

FME25 Program

Effective as of January 1, 2023, we commenced reporting reflecting our new global operating model in which we reorganized our business into two global operating segments. Prior to January 1, 2023, discrete financial information was not provided to the chief operating decision maker on the basis of the new structure and the necessary system and reporting changes to effect the new structure were not in place. For further information see, note 13 included in this report.

Overall, the costs related to the FME25 Program resulted in a negative impact to operating income of €25 M and €51 M for the three and six months ended June 30, 2023, respectively (€21 M and €57 M for the three and six months ended June 30, 2022, respectively). For the three and six months ended June 30, 2023, recurring savings related to the FME25 Program were €75 M and €136 M, respectively (€19 M and €28 M for the three and six months ended June 30, 2022, respectively).

In the discussion of our results for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022 below, the effects of the costs and savings related to the FME25 Program are presented on a net basis.

Other Trends

During 2022, we faced unprecedented challenges in the labor market, particularly in the U.S., resulting in staff shortages, high turnover rates and meaningfully higher costs. We have seen a stabilization of both the labor market and the inflationary environment. Additionally, while overall treatments remained relatively stable for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 as the annualization effect of COVID-19-related excess mortality continues to impact growth, the first six months of 2023 has shown a trend towards improving treatment volumes globally, with sequentially stable treatment volumes in the U.S., as indicated in the discussion of our consolidated revenue and operating segment results and in the tables under "Key Performance Indicators," below.

The impacts from Legacy Portfolio Optimization and the costs related to the FME25 Program are treated as Special Items.

FRESENIUS MEDICAL CARE AG & Co. KGaA

The following sections summarize our consolidated results of operations, financial position and net assets as well as key performance indicators by reporting segment, as well as Corporate, for the periods indicated. We prepared the information consistent with the manner in which management internally disaggregates financial information to assist in making operating decisions and evaluating management performance.

Results of operations

Revenue and operating income generated in countries outside the eurozone are subject to currency fluctuations. As a significant portion of our operations are derived from our businesses in the U.S., the development of the euro against the U.S. dollar can have a material impact on our results of operations, financial position and net assets and the impacts of foreign currency transaction and translation effects are included in the discussion of our key and secondary performance indicators below.

Three months ended June 30, 2023 compared to three months ended June 30, 2022

Results of operations

in € M

	For the three months ended June 30,		Change in %		
			As reported	Currency translation effects	Constant Currency ⁽¹⁾
	2023	2022			
Revenue	4,825	4,757	1	(5)	6
Costs of revenue	(3,628)	(3,511)	3	5	8
Selling, general and administrative costs	(775)	(758)	2	4	6
Selling, general and administrative costs as a % of revenue	16.1	15.9			
Research and development	(57)	(55)	3	1	4
Income from equity method investees	48	19	149	0	149
Other operating income ⁽²⁾	76	110	(31)	(8)	(23)
Other operating expense ⁽²⁾	(132)	(221)	(40)	11	(29)
Operating income	357	341	5	0	5
Operating income margin	7.4	7.2			
Interest income	24	13	89	(16)	105
Interest expense	(105)	(85)	24	4	28
Income tax expense	(81)	(63)	29	0	29
Net income	195	206	(5)	0	(5)
Net income attributable to noncontrolling interests	(55)	(59)	(7)	1	(6)
Net income attributable to shareholders of FMC AG & Co. KGaA	140	147	(5)	(1)	(4)
Basic earnings per share in €	0.48	0.50	(5)	(1)	(4)

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) For further information regarding the revised presentation of other operating income and other operating expense, see note 1 and note 4 c) included in this report.

Key Performance Indicators

The following discussions include our two operating and reportable segments and the measures we use to manage these segments. Due to the change in our operating structure as of January 1, 2023, as mentioned above, we have restated the financial information for the comparable prior period for our operating segments in order to conform to the current year's presentation. For further information, see note 1 and note 13 included in this report.

Revenue

in € M, except dialysis treatment, patient and clinic data

	For the three months ended June 30,		Change in %				Same Market Treatment Growth ⁽²⁾
			As reported	Currency translation effects	Constant Currency ⁽¹⁾	Organic growth	
	2023	2022					
Revenue	4,825	4,757	1	(5)	6	6	
Care Delivery segment	3,873	3,822	1	(5)	6	6	0.3
Thereof: U.S.	3,120	3,066	2	(2)	4	4	(0.1)
Thereof: International	753	756	0	(14)	14	15	0.9
Care Enablement segment	1,325	1,318	0	(6)	6	6	
Inter-segment eliminations	(373)	(383)	(3)	(6)	3		
Dialysis treatments	12,969,414	13,074,041	(1)				
Patients	344,086	345,687	0				
Clinics	4,050	4,163	(3)				

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) Same market treatment growth represents growth in treatments, adjusted for certain reconciling items including (but not limited to) treatments from acquisitions, closed or sold clinics and differences in dialysis days (Same Market Treatment Growth).

Consolidated

The increase in revenue as compared to the three months ended June 30, 2022 was driven by organic growth in both Care Delivery and Care Enablement (including the effects of hyperinflation) (+6%), offset in large part by a negative impact from foreign currency translation (-5%).

Care Delivery

The increase in Care Delivery revenue was driven by an increase in organic growth (+6%), partially offset by a negative impact from foreign currency translation (-5%). As of June 30, 2023, the number of patients treated in dialysis clinics that we own or operate in Care Delivery remained relatively stable as compared to June 30, 2022. Treatments in our Care Delivery segment decreased as compared to the three months ended June 30, 2022, primarily due to the effect of closed or sold clinics (-1%). During the three months ended June 30, 2023, we opened 8 dialysis clinics and combined or closed 18 clinics.

U.S.

In the U.S., the increase in revenue was driven by an increase in organic growth (+4%) which was supported by a favorable impact from our value-based care business, reimbursement rate increases and a favorable payor mix, partially offset by a negative impact from foreign currency translation (-2%). In the U.S., 206,692 patients (June 30, 2022: 206,766) were treated in dialysis clinics that we own or operate. Treatments remained relatively stable at 7,815,213 for the three months ended June 30, 2023 as compared to 7,852,474 for the three months ended June 30, 2022. We owned or operated 2,634 dialysis clinics in the U.S. at June 30, 2023 as compared to 2,682 dialysis clinics at June 30, 2022. During the three months ended June 30, 2023, we opened 6 dialysis clinics and combined or closed 8 clinics.

International

In our operations outside the U.S. (International), revenue remained relatively stable as an increase in organic growth (including significant effects from hyperinflation) (+15%) were offset by a negative impact from foreign currency translation (-14%) and the effect of closed or sold clinics (-1%). There were 137,394 patients, a decrease of 1% (June 30, 2022: 138,921) treated in dialysis clinics that we own or operate in International. Treatments in International decreased by 1% to 5,154,201 for the three months ended June 30, 2023 as compared to 5,221,567 for the three months ended June 30, 2022 driven by the effect of closed or sold clinics (-2%), partially offset by Same Market Treatment Growth (+1%). We owned or operated 1,416 dialysis clinics in International at June 30, 2023 as compared to 1,481 dialysis clinics at June 30, 2022. During the three months ended June 30, 2023, we opened 2 dialysis clinics and combined or closed 10 clinics.

Care Enablement

Care Enablement revenue remained relatively stable as compared to the three months ended June 30, 2022 as higher sales of machines for chronic treatment, critical care products (including products for acute care treatments and acute cardiopulmonary products) and home hemodialysis products, among other, smaller effects, were mostly offset by a negative impact from foreign currency translation. The development of Care Enablement revenue reflected an increased demand for our products in certain countries as well as increased average sales prices for our products.

Operating income (loss)

in € M

	For the three months ended June 30,		Change in %		
			As reported	Currency translation effects	Constant Currency ⁽¹⁾
	2023	2022			
Operating income (loss)	357	341	5	0	5
Care Delivery segment	384	433	(11)	(1)	(10)
Care Enablement segment	2	(11)	n.a		n.a
Inter-segment eliminations	(4)	3	n.a		n.a
Corporate	(25)	(84)	(70)	(1)	(69)
Operating income (loss) margin	7.4	7.2			
Care Delivery segment	9.9	11.3			
Care Enablement segment	0.1	(0.8)			

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

Consolidated

The increase in our operating income was largely driven by a favorable impact from business growth and a favorable impact from the Humacyte Investment Remeasurement, partially offset by the absence, in 2023, of government relief funding available for health care providers affected by the COVID-19 pandemic (including the partial suspension of U.S. Sequestration in 2022). Further information regarding the specific drivers of our segment results are detailed below:

Care Delivery

Care Delivery operating income decreased primarily as a result of the absence, in 2023, of government relief funding available for health care providers affected by the COVID-19 pandemic (including the partial suspension of U.S. Sequestration in 2022), inflationary cost increases, the impacts from Legacy Portfolio Optimization and higher expense related to share-based compensation plans. The decrease was partially offset by a favorable impact from business growth, lower personnel expense resulting from improved productivity and net savings from the FME25 Program.

Care Enablement

For the three months ended June 30, 2023, Care Enablement recorded operating income in the amount of €2 M as compared to an operating loss of €11 M for the three months ended June 30, 2022, primarily due to a favorable impact from business growth (due to both volume and price impacts) and net savings from the FME25 Program, partially offset by inflationary cost increases and unfavorable foreign currency transaction effects.

Secondary performance indicators and other contributors to consolidated profit and loss

The increase in costs of revenue was primarily driven by increased costs associated with business growth, the absence, in 2023, of government relief funding available for health care providers affected by the COVID-19 pandemic, inflationary cost increases and unfavorable foreign currency transaction effects, partially offset by a positive impact from foreign currency translation effects, lower personnel expense resulting from improved productivity and net savings from the FME25 Program.

Selling, general and administrative (SG&A) expense increased for the three months ended June 30, 2023 as compared to the prior year comparable period, primarily due to a negative impact from business growth, higher expense related to share-based compensation plans and the absence, in 2023, of government relief funding available for health care providers affected by the COVID-19 pandemic, partially offset by a positive impact from foreign currency translation and net savings from the FME25 Program.

The increase in research and development expense was largely driven by higher costs for in-center program development.

The increase in income from equity method investees was primarily driven by higher earnings attributable to VFMCPRP mainly due to increased sales of renal pharmaceuticals.

The decrease in other operating income was primarily driven by lower foreign exchange gains and a negative impact from foreign currency translation.

The decrease in other operating expense was primarily driven by a favorable impact from the Humacyte Investment Remeasurement and a positive impact from foreign currency translation.

Net interest expense increased by 13% to €81 M from €72 M, primarily due to refinancing activities (including increases of interest rates of several instruments), partially offset by higher interest income related to certain investments, debt securities and bank deposits as well as a positive impact from foreign currency translation.

The effective tax rate increased to 29.4% from 23.4% for the same period of 2022 largely driven by an increase in the proportionate share of non-deductible expenses as compared to taxable income and higher tax provisions related to tax law changes.

The decrease in net income attributable to noncontrolling interests was primarily due to lower earnings in entities in which we have less than 100% ownership and a positive impact from foreign currency translation.

The decrease in net income attributable to shareholders of FMC AG & Co. KGaA as a result of the combined effects of the items discussed above.

Basic earnings per share decreased for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily due to the decrease in net income attributable to shareholders of FMC AG & Co. KGaA described above. The average weighted number of shares outstanding for the period increased to 293.4 M on June 30, 2023 as compared to the prior year period (June 30, 2022: 293.1 M) due to the exercise of stock options.

We employed 124,295 people (total headcount) as of June 30, 2023 (June 30, 2022: 130,448). This 5% decrease was largely due to a reduction in hiring activities coupled with higher turnover rates, particularly in the United States and as a result of a reduction in clinics globally, and headcount reductions related to the FME25 Program.

Consolidated operating performance excluding Special Items

The primary key performance indicators are used in the management of the Company, including the preparation of the outlook, at Constant Currency excluding special items. Therefore, management believes that there are special items which should also be excluded from primary key performance indicators at Constant Currency in external reporting to enhance transparency and comparability.

We believe the following results (excluding Special Items) should be analyzed only in connection with the results presented above. For the three months ended June 30, 2022, we identified the costs related to the FME25 Program, the Impacts Related to the War in Ukraine, the Humacyte Investment Remeasurement and the Hyperinflation in Turkiye and for the three months ended June 30, 2023, we identified the costs related to the FME25 Program, the Humacyte Investment Remeasurement, the Legal Form Conversion Costs and the impacts from Legacy Portfolio Optimization as Special Items which, when excluded from the results disclosed above, may provide a reader with further useful information in assessing our performance against the financial targets. To provide a comparable basis for the 2023 outlook, the prior year basis was adjusted accordingly for the Provider Relief Funding.

For comparability with our financial targets as presented in the outlook the following table reconciles the performance indicators for the interim consolidated financial statements in accordance with IFRS Accounting Standards, as they are to be applied in the EU, to the performance indicators excluding Special Items as well as excluding Special Items at Constant Currency. These results excluding Special Items should only be viewed as a supplement to our results disclosed in accordance with IFRS Accounting Standards.

FRESENIUS MEDICAL CARE AG & Co. KGaA

Consolidated operating performance excluding Special Items

in € M

	For the three months ended June 30,							Change in % excl. Special Items and Provider Relief Funding (PRF)		
	Special Items					Results 2023 excl. Special Items	Currency translation effects	Results 2023 excl. Special Items at Constant Currency ⁽¹⁾	Current rate	Constant Currency ⁽¹⁾
	Results 2023	FME25 Program	Humacyte Investment Remeasure- ment	Legal Form Conversion Costs	Legacy Portfolio Optimization					
Revenue	4,825	—	—	—	—	4,825	216	5,041	1%	6%
Operating income	357	25	4	5	10	401	7	408	41%	44%

Consolidated operating performance excluding Special Items

in € M

	For the three months ended June 30,							Adjusted results 2022		
	Special Items					PRF				
	Results 2022	FME25 Program	Ukraine War	Humacyte Investment Remeasure- ment	Hyper- inflation in Turkiye					
Revenue				4,757	—	—	—	—	4,757	
Operating income				341	21	2	75	6	(161)	284

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures - Non-IFRS measures" above.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Results of operations

in € M

	For the six months ended June 30,		Change in %		
	2023	2022	As reported	Currency translation effects	Constant Currency ⁽¹⁾
Revenue	9,529	9,305	2	(2)	4
Costs of revenue	(7,183)	(6,886)	4	2	6
Selling, general and administrative costs	(1,557)	(1,548)	1	0	1
Selling, general and administrative costs as a % of revenue	16.3	16.6			
Research and development	(113)	(105)	7	0	7
Income from equity method investees	76	30	154	0	154
Other operating income ⁽²⁾	193	239	(19)	(13)	(6)
Other operating expense ⁽²⁾	(327)	(347)	(6)	17	11
Operating income	618	688	(10)	1	(11)
Operating income margin	6.5	7.4			
Interest income	36	27	35	(11)	46
Interest expense	(199)	(168)	19	1	20
Income tax expense	(126)	(130)	(3)	(1)	(4)
Net income	329	417	(21)	1	(22)
Net income attributable to noncontrolling interests	(102)	(112)	(10)	(1)	(11)
Net income attributable to shareholders of FMC AG & Co. KGaA	227	305	(26)	0	(26)
Basic earnings per share in €	0.77	1.04	(26)	0	(26)

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) For further information regarding the revised presentation of other operating income and other operating expense, see note 1 and note 4 c) included in this report.

Key Performance Indicators

The following discussions include our two operating and reportable segments and the measures we use to manage these segments. Due to the change in our operating structure as of January 1, 2023, as mentioned above, we have restated the financial information for the comparable prior period for our operating segments in order to conform to the current year's presentation. For further information, see note 1 and note 13 included in this report.

Revenue

in € M, except dialysis treatment data

	For the six months ended June 30,		Change in %				Same Market Treatment Growth ⁽²⁾
			As reported	Currency translation effects	Constant Currency ⁽¹⁾	Organic growth	
	2023	2022					
Revenue	9,529	9,305	2	(2)	4	4	
Care Delivery segment	7,628	7,469	2	(1)	3	4	0.2
Thereof: U.S.	6,123	5,996	2	1	1	2	(0.1)
Thereof: International	1,505	1,473	2	(11)	13	14	0.7
Care Enablement segment	2,635	2,586	2	(3)	5	5	
Inter-segment eliminations	(734)	(750)	(2)	(2)	0		
Dialysis treatments	25,812,988	25,932,144	0				

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) Same market treatment growth represents growth in treatments, adjusted for certain reconciling items including (but not limited to) treatments from acquisitions, closed or sold clinics and differences in dialysis days (Same Market Treatment Growth).

Consolidated

The increase in revenue as compared to the six months ended June 30, 2022 was driven by organic growth in both Care Delivery and Care Enablement (including the effects of hyperinflation) (+4%), partially offset by a negative impact from foreign currency translation (-2%).

Care Delivery

The increase in Care Delivery revenue was driven by an increase in organic growth (+4%), partially offset by a negative impact from foreign currency translation (-1%) and the absence of the prior year partial reversal of an accrual related to a revenue recognition adjustment for accounts receivable in legal dispute (-1%). Treatments in our Care Delivery segment remained relatively stable at 25,812,988 for the six months ended June 30, 2023 as compared to 25,932,144 for the six months ended June 30, 2022 as the effect of closed or sold clinics (-1%) was offset by an increase in dialysis days (+1%).

U.S.

In the U.S., the increase in revenue was driven by an increase in organic growth (+2%), which was supported by a favorable impact from our value-based care business, reimbursement rate increases and a favorable payor mix, and a positive impact from foreign currency translation (+1%), partially offset by the absence of the prior year partial reversal of an accrual related to a revenue recognition adjustment for accounts receivable in legal dispute (-1%). Despite reimbursement rate increases in 2023, organic growth in the U.S. was negatively affected by the prior year impact of the reconciliation of revenues for the final performance year of our ESCOs. In the U.S. Treatments remained relatively stable at 15,525,016 for the six months ended June 30, 2023 as compared to 15,544,134 for the six months ended June 30, 2022.

International

In International, the increase in revenue was driven by an increase in organic growth (including significant effects from hyperinflation) (+14%), partially offset by a negative impact from foreign currency translation (-11%) and the effect of closed or sold clinics (-1%). Treatments in International decreased by 1% to 10,287,972 for the six months ended June 30, 2023 as compared to 10,388,010 for the six months ended June 30, 2022 driven by the effect of closed or sold clinics (-2%), partially offset by Same Market Treatment Growth (+1%).

Care Enablement

The increase in Care Enablement revenue as compared to the six months ended June 30, 2022 was primarily driven by increased sales of critical care products (including products for acute care treatments and acute cardiopulmonary products), home hemodialysis products and machines for chronic treatment, partially offset by a negative impact from foreign currency translation. The development of Care Enablement revenue reflected an increased demand for our products in certain countries as well as increased average sales prices for our products.

Operating income (loss)

in € M

	For the six months ended June 30,		Change in %		
			As reported	Currency translation effects	Constant Currency ⁽¹⁾
	2023	2022			
Operating income (loss)	618	688	(10)	(1)	(11)
Care Delivery segment	669	731	(8)	2	(10)
Care Enablement segment	(23)	59	n.a		n.a
Inter-segment eliminations	(13)	(8)	91	(1)	90
Corporate	(15)	(94)	(84)	1	(85)
Operating income (loss) margin	6.5	7.4			
Care Delivery segment	8.8	9.8			
Care Enablement segment	(0.9)	2.3			

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

Consolidated

The decrease in our operating income was largely driven by the absence, in 2023, of i) government relief funding available for health care providers affected by the COVID-19 pandemic (including the partial suspension of U.S. Sequestration in 2022), ii) the prior year partial reversal of an accrual related to a revenue recognition adjustment for accounts receivable in legal dispute, and iii) the prior year impact from the reconciliation of revenues recorded for the final performance year of our ESCOs as well as the impacts from Legacy Portfolio Optimization, unfavorable foreign currency transaction effects and inflationary cost increases, partially offset by a favorable impact from business growth, net savings associated with the FME25 Program and a favorable impact from the Humacyte Investment Remeasurement. Further information regarding the specific drivers of our segment results are detailed below:

Care Delivery

Care Delivery operating income decreased primarily as a result of the absence, in 2023, of i) government relief funding available for health care providers affected by the COVID-19 pandemic (including the partial suspension of U.S. Sequestration in 2022), ii) the prior year partial reversal of an accrual related to a revenue recognition adjustment for accounts receivable in legal dispute, and iii) the prior year impact from the reconciliation of revenues recorded for the final performance year of our ESCOs as well as inflationary cost increases and the impacts from Legacy Portfolio Optimization. The decrease was partially offset by a favorable impact from business growth, net savings from the FME25 Program and lower personnel expense resulting from improved productivity.

Care Enablement

For the six months ended June 30, 2023, Care Enablement recorded an operating loss as compared to operating income for the six months ended June 30, 2022, primarily due to the impacts from Legacy Portfolio Optimization, inflationary cost increases and unfavorable foreign currency transaction effects, partially offset by a favorable impact from business growth (due to both volume and price impacts) and net savings from the FME25 Program.

Secondary performance indicators and other contributors to profit and loss

The increase in costs of revenue was primarily driven by increased costs associated with business growth, the absence, in 2023, of government relief funding available for health care providers affected by the COVID-19 pandemic, inflationary cost increases and unfavorable foreign currency transaction effects, partially offset by a positive impact from foreign currency translation effects, lower personnel expense resulting from improved productivity and net savings from the FME25 Program.

SG&A expense increased for the six months ended June 30, 2023 as compared to the prior year comparable period, primarily due to a negative impact from business growth, higher expense related to share-based compensation plans and the absence, in 2023, of government relief funding available for health care providers affected by the COVID-19 pandemic, partially offset by net savings from the FME25 Program.

The increase in research and development expense was largely driven by higher costs for in-center program development.

The increase in income from equity method investees was primarily driven by higher earnings attributable to VFMCPRP mainly due to increased sales of renal pharmaceuticals.

The decrease in other operating income was primarily driven by lower foreign exchange gains and a negative impact from foreign currency translation, partially offset by a favorable impact from the revaluation of certain investments, including the Humacyte Investment Remeasurement.

The decrease in other operating expense was primarily driven by a favorable impact from the Humacyte Investment Remeasurement and a positive impact from foreign currency translation, partially offset by the impacts from Legacy Portfolio Optimization.

Net interest expense increased by 16% to €163 M from €141 M, primarily due to refinancing activities (including increases of interest rates of several instruments) and a negative impact from foreign currency translation, partially offset by higher interest income related to certain investments, debt securities and bank deposits.

The effective tax rate increased to 27.6% from 23.7% for the same period of 2022 largely driven by an increase in the proportionate share of non-deductible expenses as compared to taxable income and higher tax provisions related to tax law changes.

The decrease in net income attributable to noncontrolling interests was primarily due to lower earnings in entities in which we have less than 100% ownership, partially offset by a negative impact from foreign currency translation.

The decrease in net income attributable to shareholders of FMC AG & Co. KGaA was as a result of the combined effects of the items discussed above.

Basic earnings per share decreased for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, primarily due to the decrease in net income attributable to shareholders of FMC AG & Co. KGaA described above. The average weighted number of shares outstanding for the period increased to 293.4 M on June 30, 2023 as compared to the prior year period (June 30, 2022: 293.1 M) due to the exercise of stock options.

Consolidated operating performance excluding Special Items

The primary key performance indicators are used in the management of the Company, including the preparation of the outlook, at Constant Currency excluding special items. Therefore, management believes that there are special items which should also be excluded from primary key performance indicators at Constant Currency in external reporting to enhance transparency and comparability.

We believe the following results (excluding Special Items) should be analyzed only in connection with the results presented above. For the six months ended June 30, 2022, we identified the costs related to the FME25 Program, the Impacts Related to the War in Ukraine, the Humacyte Investment Remeasurement and the Hyperinflation in Turkiye and for the six months ended June 30, 2023, we identified the costs related to the FME25 Program, the Humacyte Investment Remeasurement, the Legal Form Conversion Costs and the impacts from Legacy Portfolio Optimization as Special Items which, when excluded from the results disclosed above, may provide a reader with further useful information in assessing our performance against the financial targets. To provide a comparable basis for the 2023 outlook, the prior year basis was adjusted accordingly for the Provider Relief Funding.

For comparability with our financial targets as presented in the outlook the following table reconciles the performance indicators for the interim consolidated financial statements in accordance with IFRS Accounting Standards, as they are to be applied in the EU, to the performance indicators excluding Special Items as well as excluding Special Items at Constant Currency. These results excluding Special Items should only be viewed as a supplement to our results disclosed in accordance with IFRS Accounting Standards.

FRESENIUS MEDICAL CARE AG & Co. KGaA

Consolidated operating performance excluding Special Items

in € M

	Special Items						Change in % excl. Special Items and Provider Relief Funding (PRF)			
	For the six months ended June 30,									
	Results 2023	FME25 Program	Humacyte Investment Remeasure- ment	Legal Form Conversion Costs	Legacy Portfolio Optimization	Results 2023 excl. Special Items	Currency translation effects	Results 2023 excl. Special Items at Constant Currency ⁽¹⁾	Current rate	Constant Currency ⁽¹⁾
Revenue	9,529	—	—	—	—	9,529	139	9,668	2%	4%
Operating income	618	51	(15)	7	94	755	(6)	749	12%	11%

Consolidated operating performance excluding Special Items

in € M

	Special Items						Adjusted results 2022
	For the six months ended June 30,						
	Results 2022	FME25 Program	Ukraine War	Humacyte Investment Remeasure- ment	Hyper- inflation in Turkiye	PRF	
Revenue	9,305	—	—	—	—	—	9,305
Operating income	688	57	23	78	6	(177)	675

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures - Non-IFRS measures" above.

Financial position

Sources of liquidity

Our primary sources of liquidity are typically cash provided by operating activities, cash provided by short-term debt (for information regarding our short-term financing from related parties, see note 5 c) included in this report), proceeds from the issuance of long-term debt and divestitures. We require this capital primarily to finance working capital needs, fund the FME25 Program and acquisitions, operate clinics, develop free-standing renal dialysis clinics and other health care facilities, purchase equipment for existing or new renal dialysis clinics and production sites, repay debt and pay dividends (see “Net cash provided by (used in) investing activities” and “Net cash provided by (used in) financing activities” below) and to satisfy put option obligations to holders of minority interests in our majority-owned subsidiaries.

As of June 30, 2023, our available borrowing capacity under unutilized credit facilities amounted to approximately €3.3 billion, including €2.0 billion under the Syndicated Credit Facility, which we maintain as a backup for general corporate purposes (see note 8 included in this report).

In our long-term capital management, we focus primarily on the net leverage ratio, a Non-IFRS measure, see “II. Discussion of measures – Non-IFRS measures – Net leverage ratio (Non-IFRS Measure),” above. Our self-set target for the net leverage ratio is 3.0 - 3.5x, which management considers appropriate for the Company. The following table shows the reconciliation of net debt and adjusted EBITDA and the calculation of the net leverage ratio as of June 30, 2023 and December 31, 2022.

Reconciliation of adjusted EBITDA and net leverage ratio to the most directly comparable IFRS® financial measure

in € M, except for net leverage ratio

	June 30, 2023	December 31, 2022
Debt and lease liabilities ⁽¹⁾	13,077	13,213
Minus: Cash and cash equivalents ⁽²⁾	(1,363)	(1,274)
Net debt	11,714	11,939
Net income ⁽³⁾	805	895
Income tax expense ⁽³⁾	321	325
Interest income ⁽³⁾	(77)	(68)
Interest expense ⁽³⁾	392	360
Depreciation and amortization ⁽³⁾	1,700	1,718
Adjustments ^{(3), (4)}	319	320
Adjusted EBITDA	3,460	3,550
Net leverage ratio	3.4	3.4

(1) Debt includes the following balance sheet line items: short-term debt, current portion of long-term debt and long-term debt, less current portion as well as debt and lease liabilities included within liabilities directly associated with assets held for sale.

(2) Includes cash and cash equivalents included within assets held for sale (see note 3 included in this report).

(3) Last twelve months.

(4) Acquisitions and divestitures made for the last twelve months with a purchase price above a €50 M threshold as defined in the Syndicated Credit Facility (2023: -€12 M; 2022: -€22 M), non-cash charges, primarily related to pension expense (2023: €51 M; 2022: €54 M), impairment loss (2023: €168 M; 2022: €120 M) and special items, including costs related to the FME25 Program (2023: €142 M; 2022: €155 M), Legal Form Conversion Costs (2023: €7 M), Legacy Portfolio Optimization (2023: €71 M), Net Gain Related to InterWell Health (2023: -€114 M; 2022: -€114 M), Humacyte Investment Remeasurement (2023: €10 M; 2022: €103 M), Hyperinflation in Türkiye (2023: -€1 M; 2022: €5 M) and the Impacts Related to the War in Ukraine (2023: -€3 M; 2022: €19 M). See “II. Discussion of measures — Non-IFRS measures — Net leverage ratio (Non-IFRS Measure),” above.

At June 30, 2023, we had cash and cash equivalents of €1,361 M (December 31, 2022: €1,274 M).

Free cash flow (Net cash provided by (used in) operating activities, after capital expenditures, before acquisitions and investments) is a Non-IFRS Measure and is reconciled to net cash provided by (used in) operating activities, the most directly comparable IFRS Accounting Standards measure, see “II. Discussion of measures – Non-IFRS measures – Net cash provided by (used in) operating activities in % of revenue” and “– Free cash flow in % of revenue (Non-IFRS Measure)” above.

The following table shows the cash flow performance indicators for the six months ended June 30, 2023 and 2022 and reconciles free cash flow and free cash flow in percent of revenue to Net cash provided by (used in) operating activities and Net cash provided by (used in) operating activities in percent of revenue, respectively:

Cash flow measures

in € M, except where otherwise specified

	For the six months ended June 30,	
	2023	2022
Revenue	9,529	9,305
Net cash provided by (used in) operating activities	1,150	910
Capital expenditures	(298)	(334)
Proceeds from sale of property, plant and equipment	2	5
Capital expenditures, net	(296)	(329)
Free cash flow	854	581
Net cash provided by (used in) operating activities in % of revenue	12.1	9.8
Free cash flow in % of revenue	9.0	6.2

Net cash provided by (used in) operating activities

In the first six months of 2023, net cash provided by operating activities was €1,150 M, compared to €910 M in the first six months of 2022. Net cash provided by operating activities in percent of revenue increased to 12% for the first six months of 2023 as compared to 10% for the comparable period of 2022. Net cash provided by (used in) operating activities is impacted by the profitability of our business, the development of our working capital, principally inventories, receivables and cash outflows that occur due to a number of specific items as discussed below. The increase in net cash provided by operating activities in percent of revenue as compared to the first six months of 2022 was mainly driven by CMS's recoupment of advanced payments, during 2022, received under the Medicare Accelerated and Advance Payment Program in 2020.

The profitability of our business depends significantly on reimbursement rates for our services. Approximately 79% of our revenue is generated by providing health care services, a major portion of which is reimbursed by either public health care organizations or private payors. For the six months ended June 30, 2023, approximately 25% of our consolidated revenue was attributable to reimbursements from U.S. federal health care benefit programs, such as Medicare and Medicaid. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide as well as the scope of Medicare coverage. A decrease in reimbursement rates or the scope of coverage could have a material adverse effect on our business, financial position and results of operations and thus on our capacity to generate cash flow. See "I. Macroeconomic and sector-specific environment," above.

We intend to continue to address our current cash and financing requirements using net cash provided by operating activities, issuances under our commercial paper program (see note 7 included in this report) as well as from the use of our accounts receivable securitization program (Accounts Receivable Facility) (see note 8 included in this report) and our bilateral credit lines. The Company and Fresenius SE have agreed to terminate the uncommitted revolving credit facility, effective upon the Conversion (see note 7 included in this report). We expect that we will have adequate sources of financing available to us notwithstanding the termination of this facility under the aforementioned other facilities and instruments. Our Syndicated Credit Facility is also available for backup financing needs. In addition, to finance acquisitions or meet other needs, we expect to utilize long-term financing arrangements, such as the issuance of bonds (see "Net cash provided by (used in) financing activities," below).

Net cash provided by (used in) operating activities depends on the collection of accounts receivable. Commercial customers and government institutions generally have different payment cycles. Lengthening their payment cycles could have a material adverse effect on our capacity to generate cash flow. In addition, we could face difficulties enforcing and collecting accounts receivable under the legal systems of, and due to the economic conditions in, some countries. Accounts receivable balances, net of expected credit losses, represented Days Sales Outstanding (DSO) of 68 days at June 30, 2023 (December 31, 2022: 68 days).

DSO by segment is calculated by dividing the respective segment's accounts and other receivables from unrelated parties less contract liabilities, converted to euro using the average exchange rate for the period presented, less any sales or value-added tax included in the receivables, by the average daily sales for the last twelve months of that segment, converted to euro using the average exchange rate for the period. Receivables and revenues are adjusted for amounts related to acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold, consistent with the respective adjustments in the determination of adjusted EBITDA (see "II. Discussion of measures — Non-IFRS measures — Net leverage ratio (Non-IFRS Measure)" above).

FRESENIUS MEDICAL CARE AG & Co. KGaA

The development of DSO by reporting segment is shown in the table below:

Development of days sales outstanding			
<i>in days</i>	June 30, 2023	December 31, 2022	Increase/decrease primarily driven by:
Care Delivery	61	60	Periodic delays in payment by public health organizations in certain regions
Care Enablement	97	100	Improvement of payment collections in certain regions
FMC AG & Co. KGaA average days sales outstanding	68	68	

Due to the fact that a large portion of our reimbursement is provided by public health care organizations and private payors, we expect that most of our accounts receivable will be collectible.

For information regarding litigation exposure as well as ongoing and future tax audits, see note 11 included in this report.

Net cash provided by (used in) investing activities

Net cash used in investing activities in the first six months of 2023 was €297 M as compared to net cash used in investing activities of €409 M in the comparable period of 2022. The following table shows a breakdown of our investing activities for the first six months of 2023 and 2022:

Cash flows relating to investing activities						
<i>in € M</i>						
	Capital expenditures, net, including capitalized development costs		Acquisitions, investments, purchases of intangible assets and investments in debt securities		Proceeds from divestitures and the sale of debt securities	
	For the six months ended June 30,					
	2023	2022	2023	2022	2023	2022
Care Delivery	152	195	41	79	48	16
Care Enablement	144	134	36	68	28	51
Total	296	329	77	147	76	67

The majority of our capital expenditures in the first six months of 2023 was used for the capitalization of machines leased to our customers, maintaining existing clinics and centers, capitalization of certain development costs, equipping new clinics and centers and IT implementation costs. Capital expenditures accounted for approximately 3% of total revenue in the first six months of 2023 as compared to approximately 4% of total revenue during the same period in 2022.

Investments in the first six months of 2023 were primarily comprised of purchases of debt securities. Divestitures in the first six months of 2023 were mainly related to the divestment of debt securities and equity investments as well as clinics and centers. Acquisitions in the first six months of 2023 related primarily to the purchase of dialysis clinics.

Investments in the first six months of 2022 were primarily comprised of purchases of debt securities and equity investments. Divestitures in the first six months of 2022 were mainly related to the divestment of debt securities and equity investments. Acquisitions in the first six months of 2022 related primarily to the purchase of dialysis clinics. Additionally, purchases of intangible assets for the first six months of 2022 related primarily to emission rights certificates.

In 2023, we anticipate capital expenditures around €0.9 BN and expect to limit acquisition and investment spending, while focusing on the organic growth of our business.

Net cash provided by (used in) financing activities

In the first six months of 2023, net cash used in financing activities was €701 M as compared to net cash used in financing activities of €995 M in the first six months of 2022.

In the first six months of 2023, cash was mainly used in the repayment of short-term debt (including borrowings under our commercial paper program and short-term debt from related parties), the repayment of lease liabilities (including lease liabilities from related parties), the payment of dividends and distributions to noncontrolling interests, partially offset by proceeds from short-term debt (including borrowings under our commercial paper program and short-term debt from related parties).

In the first six months of 2022, cash was mainly used in the repayment of long-term debt (including the repayment at maturity of bonds in an aggregate principal amount of \$700 M (€533 M as of the date of issuance) on January 31, 2022, the repayment of short-term debt (including borrowings under our commercial paper program and short-term debt from related parties), the payment of dividends, the repayment of lease liabilities (including lease liabilities from related parties) and distributions to noncontrolling interests, partially offset by proceeds from short-term debt (including borrowings under our commercial paper program and short-term debt from related parties), proceeds from long-term debt (including proceeds from the issuance of Schuldschein loans of €225 M) and the utilization of the Accounts Receivable Facility. For further information, see note 8 included in this report.

On May 22, 2023, we paid a dividend with respect to 2022 of €1.12 per share (for 2021 paid in 2022 €1.35 per share). The total dividend payment was €329 M as compared to €396 M in the prior year.

Net Assets

Total assets as of June 30, 2023 decreased by 2% to €35.0 billion as compared to €35.8 billion at December 31, 2022. Apart from a 2% negative impact resulting from foreign currency translation, total assets remained relatively stable at €35.7 billion as compared to €35.8 billion at December 31, 2022.

Current assets as a percent of total assets increased slightly to 24% at June 30, 2023 as compared to 23% at December 31, 2022. The equity ratio, the ratio of our equity divided by total liabilities and shareholders' equity, remained stable at 43% at June 30, 2023 and December 31, 2022, respectively, as a decrease in equity (primarily due to currency translation adjustments and the payment of dividends) as well as an increase in short-term debt were offset by net income as well as a decrease in lease liabilities from related and unrelated parties (current and non-current portion) and long-term debt. ROIC decreased to 3.0% at June 30, 2023 as compared to 3.3% at December 31, 2022, largely due to costs related to our FME25 Program and the impacts from Legacy Portfolio Optimization. For further information on ROIC, see "II. Discussion of measures – Non-IFRS measures – Return on invested capital (ROIC) (Non-IFRS Measure)" above.

Management's general assessment

The second quarter 2023 makes evident that the execution against our strategic plan is fully on track. We are executing on the Legacy Portfolio Optimization, continuing to deliver on our FME25 Program and are accelerating our turnaround activities. As expected, we have seen a stabilization of the labor market and of the inflationary environment. Our measures to increase productivity, supported by the targeted clinic closures, are driving a positive development. This gives us the confidence to narrow our operating income guidance range to the upper part for 2023.

Report on post balance sheet date events

Refer to note 14 included in this report on post balance sheet date events.

Outlook

The Management Board oversees our Company by setting strategic and operational targets and measuring various financial key performance indicators used for internal management determined in euro based on IFRS Accounting Standards and other measures, as described in chapter “Overview of the Group”, section “performance management system” in the group management report of the Annual Report 2022.

We confirm the outlook 2023 for revenue and based on the earnings development for the six months ended June 30, 2023, we narrow our operating income target range. We now expect operating income to remain flat or to decline by up to a low-single digit percentage rate at Constant Currency in 2023. Outlook 2023 is based on the outlined assumptions in chapter “Outlook” in the group management report of the Annual Report 2022, it is provided at Constant Exchange Rates and excludes Special Items. Special Items include costs related to the FME25 Program, the Humacyte Investment Remeasurement, the Legal Form Conversion Costs, the impacts from Legacy Portfolio Optimization 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.

The growth rates are based on the results in 2022 excluding Special Items, such as the costs related to the FME25 Program, the Net Gain Related to InterWell Health, the Humacyte Investment Remeasurement, the Hyperinflation in Turkiye and the Impacts Related to the War in Ukraine. To provide a comparable basis for the 2023 outlook, the prior year basis was adjusted accordingly for the Provider Relief Funding.

Outlook for primary key performance indicators 2023

	Outlook 2023 (at Constant Currency)
Revenue ⁽¹⁾	low to mid-single digit percentage rate growth
Operating income ⁽¹⁾	flat to low-single digit percentage rate decline (initially: flat to high-single digit percentage rate decline)

(1) Outlook 2023 is based on the outlined assumptions in chapter “Outlook” in the group management report of the Annual Report 2022 and excludes Special Items. Special Items include costs related to the FME25 Program, the Humacyte Investment Remeasurement, the Legal Form Conversion Costs, the impacts from Legacy Portfolio Optimization 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. The growth rates are based on the results 2022 excluding the costs related to the FME25 Program, the Net Gain Related to InterWell Health, the Humacyte Investment Remeasurement, the Hyperinflation in Turkiye and the Impacts Related to the War in Ukraine. Additionally, the results in 2022 were adjusted for the Provider Relief Funding. For further information on Constant Currency, see section II “Discussion of measures – Non-IFRS measures” in the chapter “Economic report”.

Risks and opportunities report

Risks report

For information regarding our risks please refer to notes 11 and 12 and the chapter “Interim management Report”, specifically the forward-looking statements and the macroeconomic and sector-specific environment in this report. For additional information please see chapter “Risks and Opportunities Report” on pages 59-74 in the group management report of the Annual Report 2022.

Opportunities report

In comparison to the information contained within the Annual Report 2022, there have been no material changes in the first six months of 2023. Please refer to chapter “Risks and Opportunities Report” on pages 75-79 in the group management report of the Annual Report 2022.

Corporate governance

The Management Board of the General Partner, represented by Fresenius Medical Care Management AG, and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA issued a compliance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG). The Company has frequently made this declaration available to the public by publishing it on its website: <https://www.freseniusmedicalcare.com/en//investors/corporate-governance/declaration-of-compliance/>.

Interim Financial Statements
Consolidated statements of income

Consolidated statements of income

in € thousands (THOUS), except per share data

	Note	For the three months ended June 30,		For the six months ended June 30,	
		2023	2022	2023	2022
Revenue:					
Health care services	4a	3,828,628	3,781,920	7,541,359	7,388,727
Health care products	4a	996,648	974,760	1,988,135	1,916,322
		4,825,276	4,756,680	9,529,494	9,305,049
Costs of revenue:					
Health care services		3,036,784	2,934,415	6,058,823	5,834,384
Health care products		591,281	576,701	1,124,318	1,051,247
		3,628,065	3,511,116	7,183,141	6,885,631
Operating (income) expenses:					
Selling, general and administrative		775,235	757,945	1,557,389	1,547,918
Research and development	4b	57,184	55,418	112,944	105,091
Income from equity method investees	13	(48,270)	(19,367)	(75,784)	(29,854)
Other operating income	4c	(75,830)	(110,387)	(193,301)	(239,244)
Other operating expense	4c	132,265	221,445	327,541	347,329
Operating income		356,627	340,510	617,564	688,178
Other (income) expense:					
Interest income		(24,130)	(12,747)	(36,211)	(26,859)
Interest expense		104,673	84,326	199,326	167,535
Income before income taxes		276,084	268,931	454,449	547,502
Income tax expense		81,138	62,926	125,650	129,691
Net income		194,946	206,005	328,799	417,811
Net income attributable to noncontrolling interests		54,587	58,865	102,078	113,310
Net income attributable to shareholders of FMC AG & Co. KGaA		140,359	147,140	226,721	304,501
Basic earnings per share	4d	0.48	0.50	0.77	1.04
Diluted earnings per share	4d	0.48	0.50	0.77	1.04

See accompanying notes to the interim consolidated financial statements.

FRESENIUS MEDICAL CARE AG & Co. KGaA
Consolidated statements of comprehensive income

Consolidated statements of comprehensive income

in € THOUS

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net income	194,946	206,005	328,799	417,811
Other comprehensive income (loss):				
Components that will not be reclassified to profit or loss:				
Equity method investees - share of OCI	—	524	—	(11,936)
FVOCI equity investments	13,647	9	13,647	8,676
Actuarial gain (loss) on defined benefit pension plans	(15,430)	97,113	(15,792)	240,299
Income tax (expense) benefit related to components of other comprehensive income not reclassified	4,814	(29,279)	4,908	(72,319)
	<u>3,031</u>	<u>68,367</u>	<u>2,763</u>	<u>164,720</u>
Components that may be reclassified subsequently to profit or loss:				
Gain (loss) related to foreign currency translation	(97,462)	1,038,976	(424,303)	1,324,313
FVOCI debt securities	(4,703)	(14,391)	3,286	(33,380)
Gain (loss) related to cash flow hedges	2,646	(2,036)	3,244	(436)
Cost of hedging	(430)	681	277	1,448
Income tax (expense) benefit related to components of other comprehensive income that may be reclassified	131	3,002	(1,644)	5,690
	<u>(99,818)</u>	<u>1,026,232</u>	<u>(419,140)</u>	<u>1,297,635</u>
Other comprehensive income (loss), net of tax	(96,787)	1,094,599	(416,377)	1,462,355
Total comprehensive income (loss)	98,159	1,300,604	(87,578)	1,880,166
Comprehensive income attributable to noncontrolling interests	55,324	141,748	76,777	221,215
Comprehensive income (loss) attributable to shareholders of FMC AG & Co. KGaA	42,835	1,158,856	(164,355)	1,658,951

See accompanying notes to the interim consolidated financial statements.

FRESENIUS MEDICAL CARE AG & Co. KGaA

Consolidated balance sheets

Consolidated balance sheets

in € THOUS, except share data

	Note	June 30, 2023	December 31, 2022
Assets			
Cash and cash equivalents		1,361,298	1,273,787
Trade accounts and other receivables from unrelated parties		3,558,731	3,574,270
Accounts receivable from related parties	5	87,318	140,072
Inventories	6	2,335,440	2,296,214
Other current assets		956,049	919,112
Assets held for sale	3	48,176	—
Total current assets		8,347,012	8,203,455
Property, plant and equipment		3,953,840	4,152,682
Right-of-use assets		3,976,932	4,187,126
Intangible assets		1,400,533	1,518,677
Goodwill		15,423,273	15,791,181
Deferred taxes		313,831	312,679
Investment in equity method investees	13	696,388	773,724
Other non-current assets		848,329	814,590
Total non-current assets		26,613,126	27,550,659
Total assets		34,960,138	35,754,114
Liabilities			
Accounts payable to unrelated parties		720,307	813,255
Accounts payable to related parties	5	98,905	118,083
Current provisions and other current liabilities		3,337,507	3,355,144
Short-term debt from unrelated parties	7	901,334	665,013
Short-term debt from related parties	7	3,000	4,000
Current portion of long-term debt	8	701,222	694,062
Current portion of lease liabilities from unrelated parties		627,003	649,844
Current portion of lease liabilities from related parties	5	24,964	23,981
Income tax liabilities		193,106	143,932
Liabilities directly associated with assets held for sale	3	16,829	—
Total current liabilities		6,624,177	6,467,314
Long-term debt, less current portion	8	6,997,112	7,170,734
Lease liabilities from unrelated parties, less current portion		3,685,222	3,875,216
Lease liabilities from related parties, less current portion	5	125,933	129,722
Non-current provisions and other non-current liabilities		1,151,352	1,183,910
Pension liabilities		544,845	514,219
Income tax liabilities		37,343	27,345
Deferred taxes		863,968	936,475
Total non-current liabilities		13,405,775	13,837,621
Total liabilities		20,029,952	20,304,935
Shareholders' equity:			
Ordinary shares, no par value, €1.00 nominal value, 362,370,124 shares authorized, 293,413,449 issued and outstanding as of June 30, 2023 (December 31, 2022: 293,413,449)		293,413	293,413
Additional paid-in capital		3,371,128	3,372,799
Retained earnings		10,643,220	10,711,709
Accumulated other comprehensive income (loss)		(779,544)	(388,468)
Total FMC AG & Co. KGaA shareholders' equity		13,528,217	13,989,453
Noncontrolling interests		1,401,969	1,459,726
Total equity		14,930,186	15,449,179
Total liabilities and equity		34,960,138	35,754,114

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of cash flows

Consolidated statements of cash flows

in € THOUS

	Note	For the six months ended	
		June 30, 2023	2022
Operating activities			
Net income		328,799	417,811
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment loss	13	872,005	841,707
Change in deferred taxes, net		(58,535)	(63,140)
(Gain) loss from the sale of fixed assets, right-of-use assets, investments and divestitures		(29,205)	82,753
Income from equity method investees	13	(75,784)	(29,854)
Interest expense, net		163,115	140,676
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts and other receivables from unrelated parties		(80,313)	(55,838)
Inventories		(110,681)	(118,345)
Other current and non-current assets		59,636	(39,883)
Accounts receivable from related parties		52,288	32,951
Accounts payable to related parties		(17,451)	(28,242)
Accounts payable to unrelated parties, provisions and other current and non-current liabilities		(10,509)	(274,801)
Income tax liabilities		217,774	224,506
Received dividends from investments in equity method investees		144,495	89,018
Paid interest		(186,462)	(138,032)
Received interest		35,639	26,620
Paid income taxes		(154,832)	(197,797)
Net cash provided by (used in) operating activities		1,149,979	910,110
Investing activities			
Purchases of property, plant and equipment and capitalized development costs		(297,538)	(334,267)
Acquisitions, net of cash acquired, investments and purchases of intangible assets		(14,256)	(60,845)
Investments in debt securities		(62,472)	(85,807)
Proceeds from sale of property, plant and equipment		1,701	5,124
Proceeds from divestitures		25,319	39,901
Proceeds from sale of debt securities		50,624	26,906
Net cash provided by (used in) investing activities		(296,622)	(408,988)
Financing activities			
Proceeds from short-term debt from unrelated parties		729,964	574,074
Repayments of short-term debt from unrelated parties		(488,646)	(367,433)
Proceeds from short-term debt from related parties		10,204	68,000
Repayments of short-term debt from related parties		(11,204)	(122,500)
Proceeds from long-term debt		9,514	248,342
Repayments of long-term debt		(24,397)	(716,357)
Repayments of lease liabilities from unrelated parties		(356,842)	(366,393)
Repayments of lease liabilities from related parties		(13,125)	(10,872)
Increase (decrease) of accounts receivable facility		(92,536)	166,226
Proceeds from exercise of stock options		—	20,145
Dividends paid		(328,623)	(395,556)
Distributions to noncontrolling interests		(156,001)	(139,009)
Contributions from noncontrolling interests		21,147	46,421
Net cash provided by (used in) financing activities		(700,545)	(994,912)
Effect of exchange rate changes on cash and cash equivalents		(65,301)	36,807
Cash and cash equivalents:			
Net increase (decrease) in cash and cash equivalents		87,511	(456,983)
Cash and cash equivalents at beginning of period		1,273,787	1,481,655
Cash and cash equivalents at end of period		1,361,298	1,024,672

See accompanying notes to the interim consolidated financial statements.

FRESENIUS MEDICAL CARE AG & Co. KGaA

Consolidated statements of shareholders' equity
For the six months ended June 30, 2023 and 2022

Consolidated statements of shareholders' equity

in € THOUS, except share data

	Ordinary shares				Accumulated other comprehensive income (loss)				Total FMC AG & Co. KGaA shareholders' equity	Non-controlling interests	Total equity	
	Note	Number of shares	No par value	Additional paid in capital	Retained earnings	Foreign currency translation	Cash flow hedges	Pensions				Fair value changes
Balance at December 31, 2021		293,004,339	293,004	2,891,276	10,826,140	(982,506)	(9,115)	(369,998)	49,982	12,698,783	1,280,254	13,979,037
Proceeds from exercise of options and related tax effects		409,110	409	19,988	—	—	—	—	—	20,397	—	20,397
Dividends paid		—	—	—	(395,556)	—	—	—	—	(395,556)	—	(395,556)
Transactions with noncontrolling interests without loss of control		—	—	8,643	—	—	—	—	—	8,643	24,407	33,050
Noncontrolling interests due to changes in consolidation group		—	—	—	—	—	—	—	—	—	(2,561)	(2,561)
Contributions from/ to noncontrolling interests		—	—	—	—	—	—	—	—	—	(121,791)	(121,791)
Put option liabilities	12	—	—	—	57,991	—	—	—	—	57,991	—	57,991
Transfer of cumulative gains/losses of equity investments		—	—	—	8,551	—	—	—	(8,551)	—	—	—
Net income		—	—	—	304,501	—	—	—	—	304,501	113,310	417,811
Other comprehensive income (loss) related to:												
Foreign currency translation		—	—	—	—	1,230,414	(708)	(14,080)	782	1,216,408	107,905	1,324,313
Cash flow hedges, net of related tax effects		—	—	—	—	—	757	—	—	757	—	757
Pensions, net of related tax effects		—	—	—	—	—	—	168,105	—	168,105	—	168,105
Fair value changes, net of related tax effects		—	—	—	—	—	—	—	(30,820)	(30,820)	—	(30,820)
Comprehensive income		—	—	—	—	—	—	—	—	1,658,951	221,215	1,880,166
Balance at June 30, 2022		293,413,449	293,413	2,919,907	10,801,627	247,908	(9,066)	(215,973)	11,393	14,049,209	1,401,524	15,450,733
Balance at December 31, 2022		293,413,449	293,413	3,372,799	10,711,709	(207,210)	(627)	(155,526)	(25,105)	13,989,453	1,459,726	15,449,179
Proceeds from exercise of options and related tax effects		—	—	(1,190)	—	—	—	—	—	(1,190)	—	(1,190)
Dividends paid		—	—	—	(328,623)	—	—	—	—	(328,623)	—	(328,623)
Transactions with noncontrolling interests without loss of control		—	—	(481)	—	—	—	—	—	(481)	(10,996)	(11,477)
Noncontrolling interests due to changes in consolidation group		—	—	—	—	—	—	—	—	—	(12,272)	(12,272)
Contributions from/ to noncontrolling interests		—	—	—	—	—	—	—	—	—	(111,266)	(111,266)
Put option liabilities	12	—	—	—	33,413	—	—	—	—	33,413	—	33,413
Net income		—	—	—	226,721	—	—	—	—	226,721	102,078	328,799
Other comprehensive income (loss) related to:												
Foreign currency translation		—	—	—	—	(401,751)	(314)	2,708	355	(399,002)	(25,301)	(424,303)
Cash flow hedges, net of related tax effects		—	—	—	—	—	2,619	—	—	2,619	—	2,619
Pensions, net of related tax effects		—	—	—	—	—	—	(10,677)	—	(10,677)	—	(10,677)
Fair value changes, net of related tax effects		—	—	—	—	—	—	—	15,984	15,984	—	15,984
Comprehensive income		—	—	—	—	—	—	—	—	(164,355)	76,777	(87,578)
Balance at June 30, 2023		293,413,449	293,413	3,371,128	10,643,220	(608,961)	1,678	(163,495)	(8,766)	13,528,217	1,401,969	14,930,186

See accompanying notes to the interim consolidated financial statements.

1. The Company and basis of presentation**The Company**

Fresenius Medical Care AG & Co. KGaA (FMC AG & Co. KGaA or the Company), a German partnership limited by shares (*Kommanditgesellschaft auf Aktien*) registered in the commercial registry of Hof an der Saale under HRB 4019, with its business address at Else-Kröner-Str. 1, 61352 Bad Homburg v. d. Höhe, Germany, is the world's leading provider of products and services for individuals with renal diseases, based on publicly reported revenue and number of patients treated. The Company provides dialysis and related services for individuals with renal diseases as well as other health care services. The Company also develops, manufactures and distributes a wide variety of health care products. The Company's health care products include hemodialysis machines, peritoneal dialysis cyclers, dialyzers, peritoneal dialysis solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals, systems for water treatment and acute cardiopulmonary and apheresis products. The Company supplies dialysis clinics it owns, operates or manages with a broad range of products and also sells dialysis products to other dialysis service providers. The Company's other health care services include value and risk-based care programs, pharmacy services, vascular, cardiovascular and endovascular specialty services as well as ambulatory surgery center services, physician nephrology and cardiology services and ambulant treatment services.

In these notes, "FMC AG & Co. KGaA," the "Company" or the "Group" refers to Fresenius Medical Care AG & Co. KGaA or Fresenius Medical Care AG & Co. KGaA and its subsidiaries on a consolidated basis, as the context requires. "Fresenius SE" and "Fresenius SE & Co. KGaA" refer to Fresenius SE & Co. KGaA. "Management AG" and the "General Partner" refer to Fresenius Medical Care Management AG which is FMC AG & Co. KGaA's general partner and is wholly owned by Fresenius SE. "Management Board" refers to the members of the management board of Management AG and, except as otherwise specified, "Supervisory Board" refers to the supervisory board of FMC AG & Co. KGaA.

At an extraordinary general meeting (EGM) of the Company held on July 14, 2023, the shareholders of the Company approved a proposal to change of the legal form of the Company from a partnership limited by shares (*Kommanditgesellschaft auf Aktien – KGaA*) into a German stock corporation (*Aktiengesellschaft – AG*) (the Conversion). Upon effectiveness of the Conversion, which will occur upon registration of the Conversion with the competent commercial register, Management AG will exit the Company and Fresenius SE will cease to control (as defined by IFRS 10, Consolidated Financial Statements) the Company. See note 14.

Effective as of January 1, 2023, the Company commenced reporting reflecting its new global operating model in which the Company reorganized its business into two global operating, and reportable, segments. The term "Care Enablement" refers to the Company's Care Enablement operating segment and the term "Care Delivery" refers to the Care Delivery operating segment. Prior to January 1, 2023, discrete financial information was not provided to the chief operating decision maker on the basis of the new structure and the necessary system and reporting changes to effect the new structure were not in place. Due to the change in the Company's operating structure, the Company has adjusted the prior year financial information for its operating segments in order to conform to the current year's presentation. For further discussion of the Company's operating and reportable segments, see note 13.

Basis of presentation

The Company, as a stock exchange listed company 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), the "IFRS® Accounting Standards", as they are to be applied in the EU, as well as applying section 315e of the German Commercial Code (HGB), using the euro as the Company's reporting and functional currency.

The interim financial report is prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and contains condensed financial statements, in that it does not include all of the notes that would be required in a complete set of financial statements, but rather selected explanatory notes. However, the primary financial statements are presented in the format consistent with the consolidated financial statements as presented in our Annual Report 2022 in accordance with IAS 1, Presentation of Financial Statements.

Furthermore, the Company prepares interim consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB), which is filed on Form 6-K with the Securities and Exchange Commission (SEC).

The interim consolidated financial statements at June 30, 2023 and for the three and six months ended June 30, 2023 contained in this report have been reviewed by our auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and should be read in conjunction with the consolidated financial statements as of December 31, 2022 in accordance with IFRS Accounting Standards, applying Section 315e HGB, contained in the Company's Annual Report 2022. The preparation of interim consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

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consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Such interim financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments are of a normal recurring nature.

The Company applies IAS 29, Financial Reporting in Hyperinflationary Economies (IAS 29), in its Argentine, Lebanese and Turkish subsidiaries due to inflation in these countries. The table below details the date of initial application of IAS 29 and the specific inputs used to calculate the gain or loss on net monetary position on a country-specific basis for the six months ended June 30, 2023. The ongoing re-translation effects of hyperinflationary accounting and its impact on comparative amounts are recorded in other comprehensive income (loss) within the Company's interim consolidated financial statements. The subsequent gains or losses on net monetary position are recorded in other operating income and other operating expense, respectively, within the Company's consolidated statements of income and within other current and non-current assets within the Company's consolidated statements of cash flows.

Inputs for the calculation of (gains) losses on net monetary positions

	Argentina	Lebanon	Turkiye
Date of IAS 29 initial application	July 1, 2018	December 31, 2020	June 30, 2022
Consumer price index	National Institute of Statistics & Censuses	Central Administration of Statistics	Turkish Statistical Institute
Index at June 30, 2023	1,709.6	4,549.4	1,351.6
Calendar year increase	51%	122%	20%
(Gain) loss on net monetary position in € THOUS	28,961	(1,154)	1,431

The effective tax rates of 29.4% and 27.6% for the three and six months ended June 30, 2023, respectively (23.4% and 23.7% for the three and six months ended June 30, 2022, respectively), are recognized on the basis of the best estimate made for the weighted average annual income tax rate expected for the full year and applied to income before income taxes reported in the interim financial statements.

The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the results of operations for the year ending December 31, 2023.

In connection with the implementation of the Company's new global operating model as noted above, the Company performed a reallocation of goodwill to the segments under its new operating structure and evaluated the effects of this reallocation on the recoverability of goodwill. Goodwill which was attributable to the respective cash generating units (CGUs) was directly allocated. The remaining goodwill was allocated to the respective CGUs based on the average of the CGUs' budgeted profit and loss contribution of the following three years in order to capture the synergies created in Care Enablement when acquiring an entity or assets in Care Delivery. One group of CGUs was identified in each of the Company's operating segments (Care Enablement and Care Delivery) as of January 1, 2023 with no indication of impairment.

Goodwill as of June 30, 2023 was €15,423,273 (January 1, 2023: €15,791,181), thereof €13,321,579 (January 1, 2023: €13,642,445) in Care Delivery and €2,101,694 (January 1, 2023: €2,148,735) in Care Enablement.

In the first six months of 2023, the market capitalization of the Company increased by 43% to €12,842,707 at June 30, 2023 (December 31, 2022: €8,969,649). However, the market capitalization remains below total FMC AG & Co. KGaA shareholders' equity, which decreased by 3% to €13,528,217 at June 30, 2023 (December 31, 2022: €13,989,453).

Due to the carrying amount of net assets exceeding the Company's market capitalization, an increase in interest rates and ongoing uncertainties in the macroeconomic environment, the Company reviewed the impacts on the impairment tests, which were performed for goodwill reallocation purposes as of January 1, 2023. During the second quarter of 2023, the Company compared the carrying amounts of its CGUs, Care Delivery and Care Enablement, to the respective CGU's value in use, using the free cash flows of the CGUs considered in the impairment test as of January 1, 2023, and updated its free cash flow projections using the results of the latest available assessments. The projections were prepared based on the status of current initiatives, without considering any growth and improvement from initiatives related to the transformation of the Company's operating structure and steps to achieve cost savings (FME25 Program) which have not yet commenced as of June 30, 2023 as well as excluding future cash flows related to the assets identified as held for sale in connection with the proposed divestiture disclosed in note 3.

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The following table shows the key assumptions of value-in-use calculations, which are presented based upon the goodwill impairment test performed as of June 30, 2023.

Key assumptions

<i>in %</i>	Care Delivery	Care Enablement
Average revenue growth in ten year projection period	mid-single-digit	mid-single-digit
Average EBIT growth in ten year projection period ⁽¹⁾	high-single-digit	low-triple-digit
Residual value growth	1.00	1.00
Pre-tax WACC	9.62	8.80
After-tax WACC	7.35	6.65

(1) Average EBIT growth for Care Enablement is impacted by negative EBIT projections in 2023, primarily due to certain strategic programs, and is offset by positive growth in future periods.

For a detailed description of the impairment test procedure, see notes 1 g) and 2 a) of the consolidated financial statements contained in our Annual Report 2022. As of June 30, 2023, the impairment test procedure was performed on our new operating segments (Care Delivery and Care Enablement). The assessment did not result in any indication of impairment as of June 30, 2023. Management continues to monitor the situation.

The recoverable amount of the Care Enablement group of CGUs exceeded the carrying amount by €1,210,311, as of June 30, 2023. Based on the assessment performed, the sensitivity analyses for this cash generating unit showed that an impairment loss would not be required to be recognized even if the after-tax discount rate of 6.7% were to increase by 11%.

The operating income margin of each projection year would need to decline by 1.31 percentage points for Care Enablement in order for the recoverable amount (value in use) to equal the carrying amount.

In the consolidated statements of income, Costs of revenue in the amount of €100,486 and €184,727 for the three and six month period ended June 30, 2022, respectively, have been revised from "Selling, general and administrative" expense to more appropriately reflect these expenses and disclose these amounts in accordance with the way in which management reviews the new operating segments starting on January 1, 2023 alongside the transformation of the Company's operating segments in connection with the FME25 Program. This revision was a result of an evaluation of internal and external reporting by management with a goal of increasing transparency and aligning financial information which management believes is more relevant to an understanding of the Company's financial performance. This evaluation led to a voluntary refinement to the Company's policy regarding the presentation of certain expenses by which expense classification is determined on a group-wide cost center approach, expenses aligned to providing services and involved in generating revenue are allocated to Costs of revenue and expenses aligned with administrative functions and activities are classified as Selling, general and administrative expenses.

Additionally, the Company elected to voluntarily present other operating income and other operating expense separately in the consolidated statements of income. For the three months ended June 30, 2022, other operating income and other operating expense in the amount of €110,387 and €221,445, respectively, (for the six months ended June 30, 2022: €239,244 and €347,329, respectively) have been revised from "Selling, general and administrative" expense to conform to the current year's presentation, which was revised in connection with the FME25 Program in order to harmonize external reporting to the way in which management reviews the Company's results and to provide more relevant information to users of its financial statements. Other operating income and expense include, but are not limited to, foreign exchange gains and losses, gains and losses on right-of-use assets and from the sale of fixed assets and clinics, the impacts from the revaluation of certain investments and certain income and expenses incurred in connection with certain strategic divestiture programs. For further information regarding the material components of other operating income and expense, see note 4 c).

On August 2, 2023, the Management Board authorized the issuance of the Company's interim consolidated financial statements.

New accounting pronouncements

Recently implemented accounting pronouncements

The Company has prepared its interim consolidated financial statements at and for the six months ended June 30, 2023 in conformity with IFRS Accounting Standards that have to be applied for the interim periods starting on or after January 1, 2023. In the six months ended June 30, 2023, the Company applied the following new standard relevant for its business for the first time:

(in THOUS, except share and per share data)

IFRS 17, Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts (IFRS 17). In June 2020 and December 2021, further amendments were published. 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 Accounting Standards. 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 updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

The Company provides reinsurance to a health care insurer of end-stage renal diseases. Premium revenue is received throughout the year based on claims experience. For this reinsurance contract, the Company applies the premium allocation approach (PAA) under IFRS 17 as the contract boundary of the cash flows is one year or less. On initial recognition of the liability for incurred claims, the estimation and valuation process remains unchanged as compared to the application of IFRS 4. The subsequent measurement of the insurance liability is based on the estimated cost of settling the claims incurred, but not yet recorded (IBNR). IBNR is estimated using actual paid claim data and applying historical claim completion factors, which may include the effects of both inflationary and socio-economic factors as well as using past experience adjusted for current trends and any other factors that would modify past experience. Regarding the measurement of the liability for the remaining coverage, the liability is equal to the premiums received less any insurance acquisition cash flows. Any insurance acquisition cash flows will be expensed when incurred. The Company does not consider the effects and time value of money when measuring the liability for the remaining coverage as the related cash flows are expected to be paid or received within one year or less from the date the claims are incurred. The Company does not receive any premiums in advance. As a result, the liability for the remaining coverage is zero.

The Company has applied the modified retrospective approach at the date of transition due to the impracticability of collecting cash flow estimations and risk adjustments for non-financial risk at the date of initial recognition of the reinsurance contract. Insurance premium revenues are recognized based upon the passage of time, therefore the pattern of revenue recognition has not changed with the application of IFRS 17. IFRS 17 did not have a material impact on the Company's accounting for liabilities, net income or retained earnings, specifically as it relates to the Company's reinsurance contract. For additional information regarding revenues from insurance contracts, see note 4 a) below.

The following table shows a reconciliation of the Company's sole portfolio of insurance contracts, which reconciles the insurance contract receivables (liabilities) as of June 30, 2023 in accordance with IFRS 17 which is recognized in the consolidated balance sheet within Trade accounts and other receivables from unrelated parties:

Insurance contract receivables and liabilities

in € THOUS

	2023		
	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract receivables (liabilities) as at January 1,	18,085	(1,801)	16,284
Incurred claims and other directly attributable expenses	(152,011)	545	(151,466)
Changes that relate to past service – changes in the fulfillment cash-flows relating to LIC	(9,964)	—	(9,964)
Claims and other directly attributable expenses paid	5,473	—	5,473
Premium revenue	297,222	—	297,222
Foreign currency translation and other changes	(1,014)	31	(983)
Insurance contract receivables (liabilities) as at June 30,	157,791	(1,225)	156,566

2. Acquisitions, business combinations, investments (including debt securities) and purchases of intangible assets

The Company completed acquisitions, investments (including debt securities) and the purchase of intangible assets in the amount of €76,728 and €150,367 for the six months ended June 30, 2023 and 2022, respectively.

On August 24, 2022 (Acquisition Date), the Company completed a business combination among Fresenius Health Partners, Inc. (FHP), the value-based care division of the Company's wholly-owned subsidiary Fresenius Medical Care Holdings, Inc., with InterWell Health LLC, a physician organization driving innovation in the kidney care space in the U.S., and Cricket Health, Inc. (Cricket), a U.S. provider of value-based kidney care with a patient engagement and data platform. The new company, InterWell Topco L.P. (NewCo), operates under the InterWell Health brand (InterWell Health).

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This business combination was conducted as a non-cash transaction. The contributions of the net assets of InterWell Health LLC and Cricket were accounted for as a business combination in accordance with IFRS 3. The Company's contribution of the net assets of FHP was recorded under common control at their respective carrying values at the Acquisition Date and the reduction of the Company's interest in FHP, in exchange for net assets received of InterWell Health LLC and Cricket, was accounted for as an equity transaction. Upon consummation of the business combination described above, the Company holds approximately 75% of NewCo. The former owners of Cricket and InterWell Health LLC hold approximately 17% and 8%, respectively, as noncontrolling interests in NewCo.

The Company is in the process of reviewing and finalizing the information necessary for the purchase price allocation, including, but not limited to, the final capital interest allocation. Any adjustments to acquisition accounting, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill within one year from the Acquisition Date. Goodwill initially recorded in connection with the transaction was \$703,070 (€707,742), which has subsequently been reduced by \$43,519 (€43,809) during the fourth quarter of 2022 to account for changes in the purchase price allocation.

3. Disposal group classified as held for sale

During the six months ended June 30, 2023, the Company's management committed to a plan to sell its health care service business within Care Delivery in the following countries or regions:

- the Company signed an agreement in connection with its FME25 Program to sell its local dialysis service provider business to an operator of private clinics and other medical facilities in Hungary, which was completed on July 11, 2023; and
- the Company signed an agreement in connection with its Legacy Portfolio Optimization program (as defined below) to sell 51 of its renal dialysis clinics in Sub-Saharan Africa to a South African hospital group.

Transactions which remain open as of the date of this report are subject to regulatory approvals, but expected to be completed within a year from the reporting date.

Immediately before the classification of these disposals as held for sale, an impairment loss of €11,892 was recognized for the agreed-upon divestiture of Hungary and is included in other operating expenses in the consolidated statements of income (see note 4 for further details). The carrying amounts of the assets in the disposal group for the proposed divestiture of Hungary are recognized at their fair value less costs to sell. The non-recurring fair value measurement of €2,432 for this transaction, is categorized as level 3 of the fair value hierarchy using the preliminary purchase price. The proposed divestiture of the Company's clinic network in Sub-Saharan Africa did not result in an impairment loss and the assets are recorded at their carrying amount. As of June 30, 2023 and December 31, 2022, the following assets and liabilities were classified as held for sale:

Assets and liabilities of disposal group classified as held for sale

in € THOUS

	June 30, 2023	December 31, 2022
Property, plant and equipment	5,622	—
Right-of-use assets	6,978	—
Goodwill ⁽¹⁾	26,633	—
Other	8,943	—
Assets held for sale	48,176	—
Lease liabilities	11,739	—
Provisions and other liabilities	5,090	—
Liability directly associated with assets held for sale	16,829	—

(1) Goodwill was allocated to the disposal group on a relative fair value basis.

As of June 30, 2023, the accumulated foreign currency translation gains recognized in other comprehensive income related to the disposal group amounted to €4,220.

(in THOUS, except share and per share data)

4. Notes to the consolidated statements of income

a) Revenue

Due to the change in the Company's operating structure as well as the implementation of IFRS 17, the Company has adjusted the prior year financial information below in order to conform to the current year's presentation.

The Company has recognized the following revenue in the consolidated statements of income for the three and six months ended June 30, 2023 and 2022:

Revenue				
<i>in € THOUS</i>				
	Revenue from contracts with customers	Revenue from insurance contracts	Revenue from lease contracts	Total
For the three months ended June 30, 2023				
Health care services	3,671,802	156,826	—	3,828,628
Health care products	987,464	—	9,184	996,648
Total	4,659,266	156,826	9,184	4,825,276
For the three months ended June 30, 2022				
Health care services	3,640,283	141,637	—	3,781,920
Health care products	949,726	—	25,034	974,760
Total	4,590,009	141,637	25,034	4,756,680
For the six months ended June 30, 2023				
Health care services	7,244,137	297,222	—	7,541,359
Health care products	1,964,033	—	24,102	1,988,135
Total	9,208,170	297,222	24,102	9,529,494
For the six months ended June 30, 2022				
Health care services	7,132,798	255,929	—	7,388,727
Health care products	1,861,708	—	54,614	1,916,322
Total	8,994,506	255,929	54,614	9,305,049

The following table contains a disaggregation of revenue by categories for the three and six months ended June 30, 2023 and 2022:

Disaggregation of revenue by categories				
<i>in € THOUS</i>				
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Care Delivery				
US	3,119,875	3,066,295	6,122,591	5,996,233
International	752,667	755,287	1,505,498	1,472,738
Total ⁽¹⁾	3,872,542	3,821,582	7,628,089	7,468,971
Care Enablement				
Total (including inter-segment revenues) ⁽¹⁾	1,324,740	1,318,297	2,635,269	2,585,566
Inter-segment eliminations	(372,006)	(383,199)	(733,864)	(749,488)
Total Care Enablement revenue external customers	952,734	935,098	1,901,405	1,836,078
Total	4,825,276	4,756,680	9,529,494	9,305,049

(1) For further information on segment revenues, see note 13.

b) Research and development expenses

Research and development expenses of €112,944 for the six months ended June 30, 2023 (for the six months ended June 30, 2022: €105,091) included research and non-capitalizable development costs as well as depreciation and amortization expenses related to capitalized development costs of €4,856 (for the six months ended June 30, 2022: €4,150).

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c) Other operating income and expense

The following table contains reconciliations of the amounts included in other operating income and expense for the three and six months ended June 30, 2023 and 2022:

Other operating income				
<i>in € THOUS</i>				
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Foreign exchange gains	53,842	89,532	125,981	195,152
Gains on right-of-use assets, from the sale of fixed assets, clinics and investments	11,949	7,721	25,574	21,815
Revaluation of certain investments	(4,318)	—	14,968	—
Other	14,357	13,134	26,778	22,277
Other operating income	75,830	110,387	193,301	239,244
Other operating expense				
<i>in € THOUS</i>				
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Foreign exchange losses	70,011	100,970	154,413	202,386
Losses on right-of-use assets, from the sale of fixed assets, clinics and investments	8,130	10,177	18,669	20,504
Revaluation of certain investments	—	74,934	—	78,383
Expenses from strategic transactions and programs	32,015	3,696	115,454	3,696
Other	22,109	31,668	39,005	42,360
Other operating expense	132,265	221,445	327,541	347,329

Included within the “expenses from strategic transactions and programs” line item in other operating expense are the proposed divestitures, and associated impairment losses, of certain businesses in connection with strategic programs such as Legacy Portfolio Optimization, defined below, and the FME25 Program. For further information on the proposed divestitures and associated impairment losses, see note 3. Consistent with the Company’s decision to present impairment losses within other operating expense, as described in note 1 above, such costs related to cost of revenues, selling, general and administrative expense or research and development expenses are now included within other operating expense. “Expenses from strategic transactions and programs” primarily consist of:

- strategic divestiture program expenses identified during the review of our business portfolio, mainly due to exiting unsustainable markets and non-core businesses, as well as the cessation of certain research and development programs to enable more focused capital allocation towards areas in our core business that are expected to have higher profitable growth, which included the cessation of a dialysis cyclor development program and the divestiture of the Company’s clinic network in Sub-Saharan Africa in 2023 (Legacy Portfolio Optimization);
- certain impairment losses in connection with the FME25 Program; and
- certain costs associated with the Conversion, primarily related to the requisite relabeling of its products, transaction costs (such as costs for external advisors and conducting an extraordinary general meeting) and costs related to the establishment of dedicated administrative functions required to manage certain services which are currently administered at the Fresenius SE group level and paid by the Company through corporate charges (Legal Form Conversion Costs).

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Expenses from strategic transactions and programs comprised the following for the three and six months ended June 30, 2023 and 2022:

Expenses from strategic transactions and programs

in € THOUS

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Legacy Portfolio Optimization	11,022	—	94,461	—
Derecognition of capitalized development costs and termination costs ⁽¹⁾	(826)	—	58,287	—
Impairment of intangible and tangible assets ⁽²⁾	10,724	—	35,050	—
Other	1,124	—	1,124	—
FME25 Program	14,290	3,696	14,290	3,696
Impairment of intangible and tangible assets ⁽²⁾	2,398	3,696	2,398	3,696
Impairment resulting from the measurement of assets held for sale ⁽²⁾	11,892	—	11,892	—
Legal Form Conversion Costs	6,703	—	6,703	—
Expenses from strategic transactions and programs	32,015	3,696	115,454	3,696

(1) Primarily research and development expense.

(2) Primarily cost of revenues and selling, general and administrative expense.

For more information on the disposal group classified as held for sale, see note 3.

d) Earnings per share

The following table contains reconciliations of the numerators and denominators of the basic and diluted earnings per share computations for the three and six months ended June 30, 2023 and 2022:

Reconciliation of basic and diluted earnings per share

in € THOUS, except share and per share data

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income attributable to shareholders of FMC AG & Co. KGaA	140,359	147,140	226,721	304,501
Denominators:				
Weighted average number of shares outstanding	293,413,449	293,145,413	293,413,449	293,076,643
Potentially dilutive shares	—	—	—	—
Basic earnings per share	0.48	0.50	0.77	1.04
Diluted earnings per share	0.48	0.50	0.77	1.04

e) Impacts of severe acute respiratory syndrome coronavirus 2 (COVID-19)

The Company provides life-sustaining dialysis treatments and other critical health care services and products to patients. The Company's patients need regular and frequent dialysis treatments, or else they face significant adverse health consequences that could result in hospitalization or death. To be able to continue care for its patients in light of COVID-19, the Company determined that it needed to implement a number of measures, both operational and financial, to maintain an adequate workforce, to protect its patients and employees through expanded personal protective equipment protocols and to develop surge capacity for patients suspected or confirmed to have COVID-19. Additionally, the Company experienced a loss of revenue due to the pandemic in certain parts of its business, partially offset by increased demand for its services and products in other parts. Various governments in regions in which the Company operates have provided economic assistance programs to address the consequences of the pandemic on companies and support health care providers and patients.

The Company recorded €2,694 and €181,404 for the six months ended June 30, 2023 and 2022, respectively, within the statement of profit and loss for government grants in various regions in which it operates. In addition to the costs incurred which are eligible for government funding in various countries, the Company has been affected by impacts that COVID-19 had on the global economy and financial markets as well as effects related to lockdowns. During the six months ended June 30, 2022, the Company received an additional \$232,175 (€212,344), in U.S. Department of Health and Human Services (HHS) funding available for health care providers affected by the COVID-19 pandemic. During the six months ended June 30, 2023, the Company did not receive additional funding from HHS. The remaining amount of U.S. government grants received recorded in deferred income was \$741 (€682) and \$6,104 (€5,723) at June 30, 2023 and December 31, 2022, respectively.

(in THOUS, except share and per share data)

5. Related party transactions

Fresenius SE is the Company's largest shareholder and owns 32.2% of the Company's outstanding shares at June 30, 2023. The Else Kröner-Fresenius-Stiftung is the sole shareholder of Fresenius Management SE, the general partner of Fresenius SE, and has sole power to elect the supervisory board of Fresenius Management SE. The Company has entered into certain arrangements for services and products with Fresenius SE or its subsidiaries and with certain of the Company's equity method investees as described in item a) below. The arrangements for leases with Fresenius SE or its subsidiaries are described in item b) below. The Company's terms related to the receivables or payables for these services, leases and products are generally consistent with the normal terms of the Company's ordinary course of business transactions with unrelated parties and the Company believes that these arrangements reflect fair market terms. The Company utilizes various methods to verify the commercial reasonableness of its related party arrangements. Financing arrangements as described in item c) below have agreed-upon terms which are determined at the time such financing transactions occur and reflect market rates at the time of the transaction. The relationship between the Company and its key management personnel who are considered to be related parties is described in item d) below.

a) Service agreements and products

The Company is party to service agreements with Fresenius SE and certain of its affiliates (collectively Fresenius SE Companies) to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, insurance, information technology services, tax services and treasury management services. These related party agreements generally have a duration of 1 to 5 years and are renegotiated on an as needed basis when the agreement comes due. The Company also provides administrative services to one of its equity method investees.

The Company sells products to Fresenius SE Companies and purchases products from Fresenius SE Companies and equity method investees. In addition, Fresenius Medical Care Holdings, Inc. (FMCH) purchases heparin supplied by Fresenius Kabi USA, Inc. (Kabi USA), through an independent group purchasing organization (GPO). Kabi USA is an indirect, wholly-owned subsidiary of Fresenius SE. The Company has no direct supply agreement with Kabi USA and does not submit purchase orders directly to Kabi USA. FMCH acquires heparin from Kabi USA, which was negotiated by the GPO at arm's length on behalf of all members of the GPO.

In December 2010, the Company and Galenica Ltd. (now known as CSL Vifor) formed the renal pharmaceutical company Vifor Fresenius Medical Care Renal Pharma Ltd., an equity method investee of which the Company owns 45%. The Company has entered into exclusive supply agreements to purchase certain pharmaceuticals from, as well as into certain exclusive distribution agreements with, Vifor Fresenius Medical Care Renal Pharma Ltd.

Under the CMS Comprehensive End-Stage Renal Disease (ESRD) Care Model, the Company and participating physicians formed entities known as ESRD Seamless Care Organizations (ESCOs) as part of a payment and care delivery model that seeks to deliver better health outcomes for Medicare ESRD patients while lowering CMS's costs. The Company entered into participation/service agreements with these ESCOs, which are accounted for as equity method investees. These ESCOs are expected to be dissolved during the second half of 2023.

In October 2019, CMS released a request for applications to participate in its new Comprehensive Kidney Care Contracting (CKCC) model. Under the 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. In order to participate, KCEs must include nephrologists and transplant providers, and dialysis providers and other third parties are permitted to participate. As of June 30, 2023, the Company was participating in 24 KCEs (December 31, 2022: 20). The Company entered into participation/service agreements with these KCEs, which are accounted for as equity method investees. Due to the uncertainty regarding amounts to be reimbursed by CMS, the Company records revenue in arrears for these KCEs once reconciliations of reimbursement amounts have been provided by CMS.

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Below is a summary, including the Company's receivables from and payables to the indicated parties, resulting from the above-described transactions with related parties.

Service agreements and products with related parties

in € THOUS

	For the six months ended June 30, 2023		For the six months ended June 30, 2022		June 30, 2023		December 31, 2022	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Service agreements ⁽¹⁾								
Fresenius SE	73	20,196	68	22,974	—	4,001	26	2,820
Fresenius SE affiliates	5,972	34,602	2,084	47,047	928	7,014	1,168	8,585
Equity method investees ⁽²⁾	(1,213)	—	26,614	—	62,964	—	120,507	—
Total	4,832	54,798	28,766	70,021	63,892	11,015	121,701	11,405
Products								
Fresenius SE affiliates	35,641	21,414	31,210	19,320	18,627	9,344	16,078	5,826
Equity method investees	—	245,697	—	207,747	—	77,827	—	73,563
Total	35,641	267,111	31,210	227,067	18,627	87,171	16,078	79,389

(1) In addition to the above shown accounts payable, accrued expenses for service agreements with related parties amounted to €6,501 and €6,520 at June 30, 2023 and December 31, 2022, respectively.

(2) For the six months ended June 30, 2023, sales of goods and services to equity method investees included a \$4,683 (€4,334) adjustment to savings received in connection with the Company's KCEs based on an adjustment in CMS's calculated savings rate for the first performance year.

b) Lease agreements

In addition to the above-mentioned product and service agreements, the Company is a party to real estate lease agreements with Fresenius SE Companies, which mainly include leases for the Company's corporate headquarters in Bad Homburg, Germany, and production sites in Schweinfurt and St. Wendel, Germany. The leases have maturities up to the end of 2032 and will continue in effect after the Conversion. For further information regarding the Conversion, see note 14.

Below is a summary resulting from the above described lease agreements with related parties.

Lease agreements with related parties

in € THOUS

	For the six months ended June 30, 2023			For the six months ended June 30, 2022			June 30, 2023		December 31, 2022	
	Depreciation	Interest expense	Lease expense ⁽¹⁾	Depreciation	Interest expense	Lease expense ⁽¹⁾	Right-of- use asset	Lease liability	Right-of- use asset	Lease liability
Fresenius SE	4,457	704	200	4,066	268	741	37,417	38,315	38,688	39,626
Fresenius SE affiliates	8,906	654	—	6,858	491	—	111,007	112,582	112,684	114,077
Total	13,363	1,358	200	10,924	759	741	148,424	150,897	151,372	153,703

(1) Short-term leases and expenses relating to variable lease payments as well as low value leases are exempted from balance sheet recognition.

c) Financing

The Company has received short-term financing from and, in previous periods, provided short-term financing to Fresenius SE. In February 2023, the Company ended its participation in Fresenius SE's cash management system, which was previously utilized for the settlement of certain intercompany receivables and payables with its subsidiaries and other related parties. The Company established its own cash management system in March 2023. As of December 31, 2022, the Company had accounts receivable from Fresenius SE related to short-term financing in the amount of €1,477. The interest rates for these cash management arrangements were set on a daily basis and were based on the then-prevailing overnight reference rate, with a floor of zero, for the respective currencies.

On August 19, 2009 and November 28, 2013, the Company borrowed €1,500 and €1,500, respectively, from the General Partner. The loan repayments were extended periodically and combined into a single borrowing during 2022 with an interest rate of 1.3348%. Upon effectiveness of the Conversion, Management AG has the right to receive the amounts borrowed at any time. For further information regarding the Conversion, see note 14.

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The Company and Fresenius SE have agreed to terminate the uncommitted revolving credit facility, effective upon the Conversion. For further information on this loan agreement, see note 7.

At December 31, 2022, the Company borrowed from Fresenius SE in the amount of €1,000 at an interest rate of 2.468%. For further information on this loan agreement, see note 7.

d) Key management personnel

Due to the Company's legal form of a German partnership limited by shares, the General Partner holds a key management position within the Company. In addition, as key management personnel, members of the Management Board and the Supervisory Board, as well as their close relatives, are considered related parties.

The Company's Articles of Association provide that the General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, including remuneration of the members of the General Partner's supervisory board and the members of the Management Board. The aggregate amount reimbursed to the General Partner was €16,046 and €14,367 for its management services during the six months ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and December 31, 2022, the Company had accounts receivable from the General Partner in the amount of €4,799 and €816, respectively. As of June 30, 2023 and December 31, 2022, the Company had accounts payable to the General Partner in the amount of €719 and €27,289, respectively.

Upon effectiveness of the Conversion, the General Partner will exit the Company and will no longer be entitled to reimbursement of the remuneration of its board members (other than outstanding amounts, if any, for service prior to the effective date of the Conversion). The members of the FME AG Supervisory Board and the FME AG management board, as key management personnel, as well as their close relatives, will be considered related parties of FME AG. For further information regarding the Conversion, see note 14.

6. Inventories

At June 30, 2023 and December 31, 2022, inventories consisted of the following:

Inventories	June 30,	December 31,
<i>in € THOUS</i>	2023	2022
Finished goods	1,406,390	1,310,995
Health care supplies	477,963	553,821
Raw materials and purchased components	318,815	306,994
Work in process	132,272	124,404
Inventories	2,335,440	2,296,214

7. Short-term debt

At June 30, 2023 and December 31, 2022, short-term debt consisted of the following:

Short-term debt	June 30,	December 31,
<i>in € THOUS</i>	2023	2022
Commercial paper program	831,934	495,424
Borrowings under lines of credit	69,328	169,511
Other	72	78
Short-term debt from unrelated parties	901,334	665,013
Short-term debt from related parties (see note 5 c)	3,000	4,000
Short-term debt	904,334	669,013

The Company and certain consolidated entities operate a multi-currency notional cash pooling management system. In this cash pooling management system, amounts in euro and other currencies are offset without being transferred to a specific cash pool account. The system is used for an efficient utilization of funds within the Company. The Company met the conditions to offset balances within this cash pool for reporting purposes. At June 30, 2023 and December 31, 2022, cash and borrowings under lines of credit in the amount of €131,606 and €80,603, respectively, were offset under this cash pooling management system. Before this offset, cash and cash equivalents as of June 30, 2023 was €1,492,904 (December 31, 2022: €1,354,390) and short-term debt from unrelated parties was €1,032,940 (December 31, 2022: €745,616).

Commercial paper program

The Company maintains a commercial paper program under which short-term notes of up to €1,500,000 can be issued. At June 30, 2023, the outstanding commercial paper amounted to €834,000 (December 31, 2022: €496,500).

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Short-term debt from related parties

The Company is party to an uncommitted revolving facility, as borrower, under which it may request and receive one or more short-term advances up to an aggregate amount of €600,000 with Fresenius SE, as lender. The Company and Fresenius SE have agreed to terminate the uncommitted revolving credit facility, effective upon the Conversion. For further information on short-term debt from related parties, see note 5 c).

8. Long-term debt

As of June 30, 2023 and December 31, 2022, long-term debt consisted of the following:

Long-term debt	June 30,	December
<i>in € THOUS</i>	2023	31, 2022
Schuldschein loans	224,645	224,612
Bonds	7,336,121	7,389,365
Accounts Receivable Facility	—	93,725
Other	137,568	157,094
Long-term debt	7,698,334	7,864,796
Less current portion	(701,222)	(694,062)
Long-term debt, less current portion	6,997,112	7,170,734

Accounts Receivable Facility

The Company has an accounts receivable securitization program (Accounts Receivable Facility) with a maximum capacity of \$900,000 (€768,049 at the date of execution) and an ending term date of August 11, 2024.

The following table shows the available and outstanding amounts under the Accounts Receivable Facility at June 30, 2023 and December 31, 2022:

Accounts Receivable Facility - maximum amount available and balance outstanding					
<i>in THOUS</i>					
	Maximum amount available⁽¹⁾		Balance outstanding⁽²⁾		
	June 30, 2023		June 30, 2023		
Accounts Receivable Facility	\$ 900,000	€ 828,272	\$ —	€ —	
	Maximum amount available⁽¹⁾		Balance outstanding⁽²⁾		
	December 31, 2022		December 31, 2022		
Accounts Receivable Facility	\$ 900,000	€ 843,803	\$ 100,000	€ 93,756	

(1) Subject to availability of sufficient accounts receivable meeting funding criteria.

(2) Amounts shown are excluding debt issuance costs.

The Company also had letters of credit outstanding under the Accounts Receivable Facility in the amount of \$28,332 and \$12,532 (€26,074 and €11,750) at June 30, 2023 and December 31, 2022, respectively. These letters of credit are not included above as part of the balance outstanding at June 30, 2023 and December 31, 2022. However, the letters reduce available borrowings under the Accounts Receivable Facility.

Syndicated Credit Facility

The Company entered into a €2,000,000 sustainability-linked syndicated revolving credit facility (Syndicated Credit Facility) in July 2021, which serves as a back-up line for general corporate purposes and was undrawn as of June 30, 2023. On June 2, 2023, the Syndicated Credit Facility was extended an additional year until July 1, 2028, with a maximum available borrowing amount of €1,918,367 in the last year.

9. Capital management

As of June 30, 2023 and December 31, 2022 total equity in percent of total assets was 42.7% and 43.2%, respectively, and debt and lease liabilities (including amounts directly associated with assets held for sale) in percent of total assets was 37.4% and 37.0%, respectively.

An important financial performance indicator for the Company is the net leverage ratio, defined as the ratio of net debt/EBITDA. To determine the net leverage ratio, debt and lease liabilities less cash and cash equivalents (net debt) is compared to EBITDA, adjusted for acquisitions and divestitures made during the last twelve months with a purchase price above a €50,000 threshold as defined in the Syndicated Credit Facility, non-cash charges, impairment loss and special items, including:

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- costs related to our FME25 Program,
- the impact from the initial application of hyperinflationary accounting under IAS 29, Financial Reporting in Hyperinflationary Economies (IAS 29), in Turkiye,
- the impact from the remeasurement of our investment in Humacyte, Inc.,
- the net gain related to the InterWell Health business combination, including the remeasurement gain of our investment, prior to the transaction, in InterWell Health LLC, the impairment of certain long-lived intangible assets belonging to Acumen Physician Solutions, LLC which was transferred to InterWell Health as part of the transaction and certain transaction-related costs,
- bad debt expense in Russia and Ukraine and the impairment of a production plant and associated machines resulting from economic sanctions imposed on Russia, which negatively impacted our supply chain to the country, as a result of the war between Russia and Ukraine,
- certain costs associated with the proposed conversion of our legal form, primarily related to the requisite relabeling of our products, transaction costs (such as costs for external advisors and conducting an extraordinary general meeting) and costs related to the establishment of dedicated administrative functions required to manage certain services which are currently administered at the Fresenius SE group level and paid by the Company through corporate charges, and
- the impacts from Legacy Portfolio Optimization.

The self-set target for the net leverage ratio is 3.0 to 3.5x, which management considers appropriate for the Company. At June 30, 2023, the net leverage ratio was 3.4 (December 31, 2022: 3.4) Therefore, the net leverage ratio was in line with the self-set target. Further information on the Company's capital management is available in the consolidated financial statements contained in the Annual Report 2022.

The Company's financing structure and business model are reflected in the credit ratings. The Company is rated investment grade by Standard & Poor's, Moody's and Fitch. On February 24, 2023, Standard & Poor's downgraded the Company's corporate credit rating from BBB to BBB- and revised the outlook from stable to negative. On February 27, 2023, Moody's confirmed the Company's corporate credit rating and revised the outlook from stable to negative, while Fitch placed the Company's corporate credit rating on rating watch negative.

The Company's current corporate credit ratings and outlooks from the credit rating agencies are provided in the table below:

Rating ⁽¹⁾	Standard & Poor's	Moody's	Fitch ⁽²⁾
Corporate credit rating	BBB-	Baa3	BBB-
Outlook	negative	negative	rating watch negative

(1) A rating is not a recommendation to buy, sell or hold securities of the Company, and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

(2) Fitch indicated that it expects to downgrade the Company's rating by no more than one notch (to below investment grade) when the Conversion takes effect. See note 14.

10. Share-based plans

On March 1, 2023, 276,587 performance shares with a total fair value of €8,896 were allocated under the Management Board Long Term Incentive Plan 2020 to the members of the Management Board and to certain former members of the Management Board. Of this number, 212,148 performance shares with a total fair value of €6,829 relate to members of the Management Board and 64,439 performance shares with a total fair value of €2,067 relate to certain former members of the Management Board. These amounts will be amortized over the three-year vesting period. The weighted average fair value per performance share at the allocation date was €32.16.

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11. Commitments and contingencies

Legal and regulatory matters

The Company 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 Company currently deems to be material or noteworthy are described below. The Company records its litigation reserves for certain legal proceedings and regulatory matters to the extent that the Company determines an unfavorable outcome is probable and the amount of loss can be reasonably estimated. For the other matters described below, the Company believes that the loss is not probable 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 the Company's view of the merits can occur. The Company 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.

Beginning in 2012, the Company received certain communications alleging conduct in countries outside the United States that might violate the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. The Company 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 the Company cooperated.

In the course of this dialogue, the Company 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 the Company's products business in countries outside the United States.

On March 29, 2019, the Company entered into a non-prosecution agreement (NPA) with the DOJ and a separate agreement with the SEC (SEC Order) intended to resolve fully and finally the U.S. government allegations against the Company arising from the investigations. Both agreements included terms starting August 2, 2019. In 2019, the Company paid a combined total in penalties and disgorgement of approximately \$231,715 (€205,854) 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 the Company recorded in 2017 and 2018 and announced in 2018. As part of the resolution, the Company agreed to certain self-reporting obligations and to retain an independent compliance monitor (the Monitor). Due in part to COVID-19 pandemic restrictions, the monitorship faced certain delays, but the Company is continuing to further implement its compliance program in connection with the resolution with the DOJ and SEC. The Monitor certified to the Company's implementation of an effective anti-corruption compliance program on December 30, 2022, and submitted her final certification report on January 31, 2023. The DOJ and SEC have accepted the Monitor's certification and the NPA and SEC Order expired on March 1, 2023 and March 29, 2023, respectively.

In 2015, the Company 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 the Company's and United States government investigations.

Since 2012, the Company has made and continues to make further significant investments in its compliance and financial controls and in its compliance, legal and financial organizations. The Company's remedial actions included separation from those employees responsible for the above-mentioned conduct. The Company continues to react to post-FCPA review matters on various levels. The Company also continues to be fully committed to compliance with the FCPA and other applicable anti-bribery laws.

Personal injury and related litigation involving FMCH's acid concentrate product, labeled as Granuflo® or Naturalyte®, first arose in 2012. FMCH's insurers agreed to the settlement in 2017 of personal injury litigation and funded \$220,000 (€179,284) of the total \$250,000 (€203,732) settlement under a reciprocal reservation of rights. FMCH accrued a net expense of \$60,000 (€48,896) in connection with the settlement, encompassing its contribution of \$30,000 (€24,448) to the personal injury settlement plus \$30,000 (€24,448) in related but uninsured fees and costs. Following the settlement, FMCH's insurers in the AIG group initiated litigation against FMCH seeking to be indemnified by FMCH for their \$220,000 (€179,284) 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)*.

As litigation proceeded, the parties refined their positions, resulting in AIG requesting recovery of approximately \$60,000 (€48,896) of its settlement outlay and FMCH requesting \$108,000 (€88,012) in defense fees and costs. The parties filed multiple, cross motions for summary judgment. On January 12, 2023, the trial court decided these motions. Among its rulings, the court largely rejected both FMCH's theories for recovering defense costs and AIG's theories for recovering settlement funding. However, the trial court denied both parties' motions on one issue and severed and continued that issue for trial. Trial on this remaining issue is scheduled to begin March 11, 2024. Both parties have preserved appeals from the court's summary judgment rulings.

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In August 2014, 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. Thereafter, the USAO conducted an investigation, in which FMCH cooperated, and declined to intervene in the matter. After the United States District Court for Maryland unsealed the 2014 relator's qui tam complaint that gave rise to the investigation, the relator served the complaint and proceeded on his own by filing an amended complaint, which FMCH moved to dismiss on multiple grounds. On October 5, 2021, on FMCH's motion, the District Court for Maryland transferred the case to the United States District Court for Massachusetts. *Flanagan v. Fresenius Medical Care Holdings, Inc.*, 1:21-cv-11627. On December 5, 2022, the Massachusetts District Court granted FMCH's motion and dismissed the case with prejudice. Relator has filed an appeal.

In 2014, two New York physicians filed under seal a qui tam complaint in the United States District Court for the Eastern District of New York (Brooklyn), alleging violations of the False Claims Act relating to FMCH's vascular access line of business. As previously disclosed, on October 6, 2015, the United States Attorney for the Eastern District of New York (Brooklyn) issued subpoenas to FMCH indicating its investigation now seen to be related to the two relators' complaint. FMCH cooperated in the Brooklyn investigation, which was understood to be separate and distinct from settlements entered in 2015 in Connecticut, Florida and Rhode Island of allegations against American Access Care LLC (AAC) following FMCH's 2011 acquisition of AAC.

On July 12, 2022, after the Court denied the USAO's motions to renew the sealing of the relators' complaint, the USAO filed a complaint-in-intervention. *United States ex rel. Pepe and Sherman v. Fresenius Vascular Care, Inc. et al.*, 1:14-cv-3505. The United States' and relators' complaints allege that the defendants billed and received government payment for surgery that was not medically necessary. FMCH will defend the allegations asserted in the litigation now proceeding.

On November 18, 2016, 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. FMCH advised the USAO that, under the asset sale provisions of its 2013 Shiel acquisition, it was not responsible for Shiel's conduct prior to the date of the acquisition. On December 12, 2017, FMCH sold to Quest Diagnostics certain Shiel operations. Nonetheless, FMCH cooperated in the Brooklyn USAO's investigation.

On June 14, 2022, the Brooklyn USAO declined to intervene on two relator complaints that underlay the investigation. The relators, one of whom remains anonymous, are proceeding with litigation at their own expense against both Shiel and FMCH entities, alleging that the defendants wrongly caused government payers to pay for laboratory tests that were falsely or improperly invoiced and retaliated against relators for objecting to the alleged misconduct. *Relator v. Shiel Medical Laboratory*, 1:16-cv-01090 (E.D.N.Y. 2016); *Relator v. Shiel Holdings*, 1:17-cv-02732 (E.D.N.Y. 2017). FMCH will defend allegations directed against entities it controls.

On December 17, 2018, 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. (DaVita) 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 cooperated in the investigation.

On June 28, 2019, certain 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 its position) and litigation is continuing. 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.

In February 2022, the Company received a formal request for information from the Hessen Data Protection Authority (*Hessischer Beauftragter für Datenschutz und Informationsfreiheit* or HBDI). The information request relates to specific data processing functions of a few of the Company's peritoneal dialysis devices. The Company is committed to comply with the HBDI's request in good faith and cooperate with them, and it is working to provide the relevant information. Additionally, the Company is fully committed to safeguarding and protecting patients' privacy as per applicable laws and privacy-by-design standards, as well as to improve the devices continuously, considering technical, regulatory and privacy requirements.

On March 20 and April 12, 2022, respectively, an attorney employed as general counsel for the Company's North American operations from 2013 to 2016 filed a complaint with the Occupational Safety and Health Administration (OSHA) under the Sarbanes-Oxley Act of 2002 and other anti-retaliation statutes, and a civil lawsuit in Suffolk County,

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Massachusetts seeking compensation for personnel management decisions allegedly adverse to him. *OSHA Case No. 1-076-22-049; Kott v. National Medical Care, Inc., Case No. 22-802 (Superior Court, Suffolk County, Mass.)*.

The plaintiff alleges in support of his demands for compensation that he was transferred to a subordinate position in the global legal department, and subsequently terminated from employment as part of the FME25 Program, in retaliation for legal advice he provided with respect to a licensing agreement with DaVita relating to pharmaceutical operations and products. The DaVita licensing agreement expired by its terms in 2017.

As previously disclosed in the Company's financial statements, the United States Department of Justice has reviewed multiple aspects of the DaVita contract in question, including those relevant to the plaintiff's allegations. No enforcement action has resulted against the Company.

Other bases of retaliation alleged by the plaintiff implicate internal personnel and privacy protection concerns that do not impact ongoing operations, and on which the Company does not comment.

On January 3, 2023, FMCH received a subpoena from the Attorney General for the District of Columbia related to the activities of the American Kidney Foundation (AKF) and grounded in anti-trust concerns, including market allocation within the District of Columbia. FMCH's relationship with AKF was the subject of previously reported and resolved investigation by agencies of the United States and litigation against United Healthcare. FMCH is cooperating in the District of Columbia investigation.

From time to time, the Company 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 Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other health care providers, insurance plans and suppliers, conducts its operations under intense government regulation and scrutiny. The Company 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, 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 Company could be subject to significant adverse regulatory actions by the FDA and comparable regulatory authorities outside the U.S. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority which may require the Company to expend significant time and resources in order to implement appropriate corrective actions. If the Company 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 U.S., 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 Company's products and/or criminal prosecution. FMCH completed remediation efforts with respect to one pending FDA warning letter and is awaiting confirmation as to whether the letter is now closed. The Company 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 Company'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 Company'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 Company's compliance with applicable laws and regulations. The Company 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 Company operates many facilities and handles the personal data 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 widespread, global 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 Company 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 or other similar laws (Data Protection Laws) when there has been impermissible use, access, or disclosure of unsecured personal data or when the Company 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 Company must comply with applicable breach notification requirements and will take appropriate remedial action.

The Company 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 Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law and, in such instances, the Company will take appropriate corrective

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and/or disciplinary action. The actions of such persons may subject the Company 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 FCPA, 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 Company 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 Company 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 Company 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 Company's reputation and business.

The Company 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 Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company 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 Company's reputation and business.

The Company is subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions in the ordinary course of business. Tax authorities routinely pursue adjustments to the Company's tax returns and disallowances of claimed tax deductions. When appropriate, the Company defends these adjustments and disallowances and asserts its own claims. A successful tax related claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition and results of operations.

The German tax authorities re-qualified dividends received in connection with intercompany mandatorily redeemable preferred shares into fully taxable interest payments for the years 2006 until 2013, which could lead to additional tax payments in the mid-double-digit million range. Additionally, German tax authorities objected to the Company's tax returns and took the position that income of one of the Company's finance entities for 2017 and future periods should be subject to German Controlled Foreign Corporation taxation resulting in potential additional income tax payments in the upper double-digit million range. In both cases, the Company will take any appropriate legal action to defend its position.

The Company is subject to residual value guarantees in certain lease contracts, primarily real estate contracts, for which it is the lessee in the amount of \$650,619 (€598,765). As of June 30, 2023, the estimated fair market value of the underlying leased assets exceeded the related residual value guarantees and, therefore, the Company did not have any risk exposure relating to these guarantees.

Other than those individual contingent liabilities mentioned above, the current estimated amount of the Company's other known individual contingent liabilities is immaterial.

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12. Financial instruments

The following tables show the carrying amounts and fair values of the Company's financial instruments at June 30, 2023 and December 31, 2022:

Carrying amount and fair value of financial instruments

in € THOUS

June 30, 2023	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	1,089,881	271,417	—	—	1,361,298	271,417	—	—
Trade accounts and other receivables from unrelated parties	3,477,642	—	—	81,089	3,558,731	—	—	—
Accounts receivable from related parties	87,318	—	—	—	87,318	—	—	—
Derivatives - cash flow hedging instruments	—	—	—	11,638	11,638	—	11,638	—
Derivatives - not designated as hedging instruments	—	29,124	—	—	29,124	—	29,124	—
Equity investments	—	96,409	74,015	—	170,424	48,200	75,196	47,028
Debt securities	—	104,272	346,001	—	450,273	450,273	—	—
Other financial assets ⁽¹⁾	117,514	—	—	117,103	234,617	—	—	—
Other current and non-current assets	117,514	229,805	420,016	128,741	896,076	—	—	—
Financial assets	4,772,355	501,222	420,016	209,830	5,903,423	—	—	—
Accounts payable to unrelated parties	720,307	—	—	—	720,307	—	—	—
Accounts payable to related parties	98,905	—	—	—	98,905	—	—	—
Short-term debt	904,334	—	—	—	904,334	—	—	—
Long-term debt	7,698,334	—	—	—	7,698,334	6,482,842	362,183	—
Lease liabilities	—	—	—	4,463,122	4,463,122	—	—	—
Derivatives - cash flow hedging instruments	—	—	—	790	790	—	790	—
Derivatives - not designated as hedging instruments	—	3,788	—	—	3,788	—	3,788	—
Variable payments outstanding for acquisitions	—	35,781	—	—	35,781	—	—	35,781
Put option liabilities	—	—	—	1,409,209	1,409,209	—	—	1,409,209
Other financial liabilities ⁽²⁾	1,099,444	—	—	—	1,099,444	—	—	—
Other current and non-current liabilities	1,099,444	39,569	—	1,409,999	2,549,012	—	—	—
Financial liabilities	10,521,324	39,569	—	5,873,121	16,434,014	—	—	—

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Carrying amount and fair value of financial instruments

in € THOUS

December 31, 2022

	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	1,118,503	155,284	—	—	1,273,787	155,284	—	—
Trade accounts and other receivables from unrelated parties	3,489,680	—	—	84,590	3,574,270	—	—	—
Accounts receivable from related parties	140,072	—	—	—	140,072	—	—	—
Derivatives - cash flow hedging instruments	—	—	—	9,151	9,151	—	9,151	—
Derivatives - not designated as hedging instruments	—	10,627	—	—	10,627	—	10,627	—
Equity investments	—	80,201	69,792	—	149,993	36,227	70,973	42,793
Debt securities	—	106,215	338,589	—	444,804	444,804	—	—
Other financial assets ⁽¹⁾	121,095	—	—	128,015	249,110	—	—	—
Other current and non-current assets	121,095	197,043	408,381	137,166	863,685	—	—	—
Financial assets	4,869,350	352,327	408,381	221,756	5,851,814	—	—	—
Accounts payable to unrelated parties	813,255	—	—	—	813,255	—	—	—
Accounts payable to related parties	118,083	—	—	—	118,083	—	—	—
Short-term debt	669,013	—	—	—	669,013	—	—	—
Long-term debt	7,864,796	—	—	—	7,864,796	6,366,775	474,930	—
Lease liabilities	—	—	—	4,678,763	4,678,763	—	—	—
Derivatives - cash flow hedging instruments	—	—	—	568	568	—	568	—
Derivatives - not designated as hedging instruments	—	7,422	—	—	7,422	—	7,422	—
Variable payments outstanding for acquisitions	—	37,846	—	—	37,846	—	—	37,846
Put option liabilities	—	—	—	1,468,517	1,468,517	—	—	1,468,517
Other financial liabilities ⁽²⁾	1,107,827	—	—	—	1,107,827	—	—	—
Other current and non-current liabilities	1,107,827	45,268	—	1,469,085	2,622,180	—	—	—
Financial liabilities	10,572,974	45,268	—	6,147,848	16,766,090	—	—	—

(1) As of June 30, 2023 other financial assets primarily include lease receivables, deposits, guarantees, securities, vendor as well as supplier rebates. As of December 31, 2022, other financial assets primarily include lease receivables, deposits, guarantees, securities, vendor and supplier rebates as well as notes receivable.

(2) As of June 30, 2023 and December 31, 2022, other financial liabilities primarily include receivable credit balances and goods and services received.

Derivative and non-derivative financial instruments are categorized in the following three-tier fair value hierarchy that reflects the significance of the inputs in making the measurements. Level 1 inputs are quoted prices for similar instruments in active markets. Level 2 is defined as using valuation models (i.e. mark-to-model) with input factors that are inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as using valuation models (i.e. mark-to-model) with input factors that are unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions. Fair value information is not provided for financial instruments, if the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments. This includes cash and cash equivalents measured at amortized costs, trade accounts and other receivables from unrelated parties, accounts receivable from related parties, other financial assets as well as accounts payable to unrelated parties, accounts payable to related parties, short-term debt and other financial liabilities. Transfers between levels of the fair value hierarchy have not occurred as of June 30, 2023 or December 31, 2022. The Company accounts for transfers at the end of the reporting period.

Derivative financial instruments

In order to manage the risk of currency exchange rate and interest rate fluctuations, the Company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions (generally investment grade) as authorized by the Company's General Partner. The Company primarily enters into foreign exchange forward contracts. In certain instances, the Company enters into derivative contracts that do not qualify for hedge accounting but are utilized for economic purposes (economic hedges). The Company does not use financial instruments for trading purposes.

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Non-derivative financial instruments

The significant methods and assumptions used for the classification and measurement of non-derivative financial instruments are as follows:

The Company assessed its business models and the cash flow characteristics of its financial assets. The vast majority of the non-derivative financial assets are held in order to collect contractual cash flows. The contractual terms of the financial assets allow the conclusion that the cash flows represent payment of principal and interest only. Trade accounts and other receivables from unrelated parties (including receivables related to the Accounts Receivable Facility, see note 8), Accounts receivable from related parties and Other financial assets are consequently measured at amortized cost.

Cash and cash equivalents are comprised of cash funds and other short-term investments. Cash funds are measured at amortized cost. Short-term investments are highly liquid and readily convertible to known amounts of cash. Short-term investments are measured at fair value through profit or loss (FVPL). The risk of changes in fair value is insignificant.

Equity investments are not held for trading. At initial recognition the Company elected, on an instrument-by-instrument basis, to represent subsequent changes in the fair value of individual strategic investments in OCI. If equity instruments are quoted in an active market, the fair value is based on price quotations at the period-end-date. As necessary, the Company engages external valuation firms to assist in determining 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 and weighted average cost of capital, that reflects current market assessments as well as a terminal growth rate.

The majority of the debt securities are held within a business model whose objective is achieving both contractual cash flows and selling securities. The standard coupon bonds give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount. Subsequently, these financial assets have been classified as fair value through other comprehensive income (FVOCI). The smaller part of debt securities does not give rise to cash flows that are solely payments of principal and interest. Consequently, these securities are measured at FVPL. In general, most of the debt securities are quoted in an active market.

Long-term debt is initially recognized at its fair value and subsequently measured at amortized cost. The fair values of major long-term debt are calculated on the basis of market information. Liabilities for which market quotes are available are measured using these quotes. The fair values of the other long-term debt are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

Variable payments outstanding for acquisitions are recognized at their fair value. The estimation of individual fair values is based on the key inputs of the arrangement that determine the future contingent payment as well as the Company's expectation of these factors. The Company assesses the likelihood and timing of achieving the relevant objectives. The underlying assumptions are reviewed regularly.

Put option liabilities are recognized at the present value of the exercise price of the option. The exercise price of the option is generally based on fair value and, in certain limited instances, might contain a fixed floor price. The methodology the Company uses to estimate the fair values assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. From time to time the Company engages an external valuation firm to assist in the valuation of certain put options. The external valuation assists the Company in estimating the fair values using a combination of discounted cash flows and a multiple of earnings and/or revenue. Under those limited circumstances in which the put option might contain a fixed floor price, the external valuation firm may assist the Company with the valuation by performing a Monte Carlo Simulation analysis to simulate the exercise price. The put option liabilities are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The estimated fair values of these 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 the Company's current estimates depending upon market conditions. For the purpose of analyzing the impact of changes in unobservable inputs on the fair value measurement of put option liabilities, the Company assumes an increase on earnings (or enterprise value for the put options granted in the InterWell Health business combination) of 10% compared to the actual estimation as of the balance sheet date. The corresponding increase in fair value of €115,000 is then compared to the total liabilities and the shareholder's equity of the Company. This analysis shows that an increase of 10% in the relevant earnings (or enterprise value for the put options granted in the InterWell Health business combination) would have an effect of less than 1% on the total liabilities and less than 1% on the shareholder's equity of the Company.

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The following table provides a reconciliation of Level 3 financial instruments at June 30, 2023 and December 31, 2022:

Reconciliation from beginning to ending balance of level 3 financial instruments

in € THOUS

	2023			2022		
	Equity investments	Variable payments outstanding for acquisitions	Put option liabilities	Equity investments	Variable payments outstanding for acquisitions	Put option liabilities
Beginning balance at January 1,	42,793	37,846	1,468,517	50,679	47,690	992,423
Increase	2,792	1,080	18,267	2,804	46	646,271
Decrease	—	(2,570)	(35,906)	—	(6,499)	(7,026)
Gain / loss recognized in profit or loss ⁽¹⁾	2,259	(433)	—	(13,968)	(3,904)	—
Gain / loss recognized in equity	—	—	(15,774)	—	—	(180,431)
Foreign currency translation and other changes	(816)	(142)	(25,895)	3,278	513	17,280
Ending balance at June 30, and December 31,	<u>47,028</u>	<u>35,781</u>	<u>1,409,209</u>	<u>42,793</u>	<u>37,846</u>	<u>1,468,517</u>

(1) Includes realized and unrealized gains / losses.

13. Segment and corporate information

Effective as of January 1, 2023, the Company commenced reporting reflecting its new global operating model in which the Company reorganized its business into two global operating, and reportable, segments: the Care Enablement segment and the Care Delivery segment. The operating segments are determined based upon how the Company manages its businesses and allocates resources with responsibilities by products and services and is aligned to the financial information that is presented on a quarterly basis to the chief operating decision maker. The Care Enablement segment is primarily engaged in the distribution of products and equipment, including research and development, manufacturing, supply chain and commercial operations, as well as supporting functions, such as regulatory and quality management. The Care Delivery segment is primarily engaged in providing health care services for the treatment of ESRD and other extracorporeal therapies, including value and risk-based care programs. Care Delivery also includes the pharmaceutical products business and the income from equity method investees related to the sale of certain renal pharmaceuticals from Vifor Fresenius Medical Care Renal Pharma Ltd. in the U.S., which are used in the Company's clinics to provide health care services to its patients.

The Company's Global Medical Office, which seeks to optimize medical treatments and clinical processes within the Company and supports both Care Delivery and Care Enablement, is centrally managed and its profit and loss are allocated to the segments. Similarly, the Company allocates costs related primarily to headquarters' overhead charges, including accounting and finance as well as certain human resources, legal and IT costs, as the Company believes that these costs are attributable to the segments and used in the allocation of resources to Care Delivery and Care Enablement. These costs are allocated at budgeted amounts, with the difference between budgeted and actual figures recorded at the corporate level. However, certain costs, which relate mainly to shareholder activities, management activities, global internal audit and the remeasurement of certain investments are not allocated to a segment but are accounted for as corporate expenses. These activities do not fulfill the definition of a segment according to IFRS 8, Operating Segments and are reported separately as Corporate (Corporate). Financing is a corporate function which is not controlled by the operating segments. Therefore, the Company does not include interest expense relating to financing as a segment measurement. In addition, the Company does not include income taxes as it believes taxes are outside the segments' control.

Management evaluates each segment using measures that reflect all of the segment's controllable revenues and expenses. With respect to the performance of business operations, management believes that the most appropriate measures are revenue and operating income. The Company transfers products between segments at fair market value. The associated internal revenues and expenses and any remaining internally generated profit or loss for the product transfers are recorded within the operating segments initially, are eliminated upon consolidation and are included within "Inter-segment eliminations." Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations.

Information pertaining to the Company's segment and Corporate activities for the three and six months ended June 30, 2023 and 2022 is set forth below. Following the change in the composition of the Company's reportable segments, the information presented for the prior period has been restated in accordance with IFRS 8:

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Segment and corporate information

in € THOUS

	Care Delivery	Care Enablement	Total Segment	Inter-segment eliminations	Corporate	Total
Three months ended June 30, 2023						
Revenue from health care services ⁽¹⁾	3,671,802	—	3,671,802	—	—	3,671,802
Revenue from health care products ⁽¹⁾	43,914	943,550	987,464	—	—	987,464
Revenue from contracts with customers ⁽¹⁾	3,715,716	943,550	4,659,266	—	—	4,659,266
Revenue from insurance contracts ⁽¹⁾	156,826	—	156,826	—	—	156,826
Revenue from lease contracts ⁽¹⁾	—	9,184	9,184	—	—	9,184
Revenue from external customers	3,872,542	952,734	4,825,276	—	—	4,825,276
Inter-segment revenue	—	372,006	372,006	(372,006)	—	—
Revenue	3,872,542	1,324,740	5,197,282	(372,006)	—	4,825,276
Operating income (loss)	384,254	1,536	385,790	(3,880)	(25,283)	356,627
Interest						(80,543)
Income before income taxes						276,084
Depreciation and amortization	(283,026)	(115,438)	(398,464)	9,866	(17,466)	(406,064)
Impairment loss	(20,189)	(7,938)	(28,127)	—	—	(28,127)
Income (loss) from equity method investees	45,550	2,720	48,270	—	—	48,270
Additions of property, plant and equipment, intangible assets and right-of-use assets ⁽¹⁾	197,342	107,594	304,936	—	10,781	315,717
Three months ended June 30, 2022						
Revenue from health care services ⁽¹⁾	3,640,283	—	3,640,283	—	—	3,640,283
Revenue from health care products ⁽¹⁾	39,662	910,064	949,726	—	—	949,726
Revenue from contracts with customers ⁽¹⁾	3,679,945	910,064	4,590,009	—	—	4,590,009
Revenue from insurance contracts ⁽¹⁾	141,637	—	141,637	—	—	141,637
Revenue from lease contracts ⁽¹⁾	—	25,034	25,034	—	—	25,034
Revenue from external customers	3,821,582	935,098	4,756,680	—	—	4,756,680
Inter-segment revenue	—	383,199	383,199	(383,199)	—	—
Revenue	3,821,582	1,318,297	5,139,879	(383,199)	—	4,756,680
Operating income (loss)	433,080	(10,511)	422,569	1,796	(83,855)	340,510
Interest						(71,579)
Income before income taxes						268,931
Depreciation and amortization	(298,656)	(113,194)	(411,850)	3,668	(13,834)	(422,016)
Impairment loss	(551)	(42)	(593)	—	(141)	(734)
Income (loss) from equity method investees	24,088	(4,721)	19,367	—	—	19,367
Additions of property, plant and equipment, intangible assets and right-of-use assets ⁽¹⁾	223,338	83,923	307,261	—	15,572	322,833

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Segment and corporate information (continued)

in € THOUS

	Care Delivery	Care Enablement	Total Segment	Inter-segment eliminations	Corporate	Total
Six months ended June 30, 2023						
Revenue from health care services ⁽¹⁾	7,244,137	—	7,244,137	—	—	7,244,137
Revenue from health care products ⁽¹⁾	86,730	1,877,303	1,964,033	—	—	1,964,033
Revenue from contracts with customers ⁽¹⁾	7,330,867	1,877,303	9,208,170	—	—	9,208,170
Revenue from insurance contracts ⁽¹⁾	297,222	—	297,222	—	—	297,222
Revenue from lease contracts ⁽¹⁾	—	24,102	24,102	—	—	24,102
Revenue from external customers	7,628,089	1,901,405	9,529,494	—	—	9,529,494
Inter-segment revenue	—	733,864	733,864	(733,864)	—	—
Revenue	7,628,089	2,635,269	10,263,358	(733,864)	—	9,529,494
Operating income (loss)	668,739	(22,939)	645,800	(13,132)	(15,104)	617,564
Interest						(163,115)
Income before income taxes						454,449
Depreciation and amortization	(571,255)	(230,473)	(801,728)	19,582	(35,523)	(817,669)
Impairment loss	(22,105)	(32,231)	(54,336)	—	—	(54,336)
Income (loss) from equity method investees	71,651	4,133	75,784	—	—	75,784
Total assets ⁽¹⁾	40,909,915	14,883,693	55,793,608	(30,077,381)	9,243,911	34,960,138
thereof investment in equity method investees ⁽¹⁾	360,550	335,838	696,388	—	—	696,388
Additions of property, plant and equipment, intangible assets and right-of-use assets ⁽¹⁾	385,828	216,883	602,711	—	23,593	626,304
Six months ended June 30, 2022						
Revenue from health care services ⁽¹⁾	7,132,798	—	7,132,798	—	—	7,132,798
Revenue from health care products ⁽¹⁾	80,244	1,781,464	1,861,708	—	—	1,861,708
Revenue from contracts with customers ⁽¹⁾	7,213,042	1,781,464	8,994,506	—	—	8,994,506
Revenue from insurance contracts ⁽¹⁾	255,929	—	255,929	—	—	255,929
Revenue from lease contracts ⁽¹⁾	—	54,614	54,614	—	—	54,614
Revenue from external customers	7,468,971	1,836,078	9,305,049	—	—	9,305,049
Inter-segment revenue	—	749,488	749,488	(749,488)	—	—
Revenue	7,468,971	2,585,566	10,054,537	(749,488)	—	9,305,049
Operating income (loss)	730,578	58,677	789,255	(6,862)	(94,215)	688,178
Interest						(140,676)
Income before income taxes						547,502
Depreciation and amortization	(592,025)	(223,358)	(815,383)	7,150	(27,949)	(836,182)
Impairment loss	(2,711)	(930)	(3,641)	—	(1,884)	(5,525)
Income (loss) from equity method investees	40,330	(10,476)	29,854	—	—	29,854
Total assets ⁽¹⁾	41,789,859	13,956,883	55,746,742	(28,062,867)	8,385,851	36,069,726
thereof investment in equity method investees ⁽¹⁾	436,001	298,733	734,734	—	—	734,734
Additions of property, plant and equipment, intangible assets and right-of-use assets ⁽¹⁾	412,178	159,907	572,085	—	29,763	601,848

(1) These line items are included to comply with requirements under IFRS 8 and IFRS 15 or are provided on a voluntary basis, but not included in the information regularly reviewed by the chief operating decision maker.

(in THOUS, except share and per share data)

14. Events occurring after the balance sheet date

On February 21, 2023, the supervisory board of Management AG approved the Management Board's resolution to initiate firm plans for a change of the legal form of the Company from a KGaA into an AG. An EGM of the Company was held on July 14, 2023 to resolve on the Conversion. In connection with the EGM, the Company filed a registration statement on Form F-4 with the SEC that was declared effective on June 6, 2023. The Information Statement/Prospectus included in the F-4 registration statement was made available to the Company's shareholders and contains additional information regarding the proposed change of legal form and is available on the SEC's website, www.sec.gov.

At the EGM, shareholders voted on resolutions on:

- (i) the Conversion, including the change of the Company's name to Fresenius Medical Care AG (FME AG);
- (ii) the election of four of the members of FME AG's supervisory board (FME AG Supervisory Board) to be elected by the shareholders of FME AG; and
- (iii) the confirmation of the election of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as auditor and group auditor for fiscal year 2023, as well as the auditor for the potential review of interim financial information.

Each of the resolutions noted above was passed.

Upon effectiveness of the Conversion, which will occur upon registration of the Conversion with the competent commercial register, Management AG, a subsidiary of Fresenius SE, will exit the Company and Fresenius SE will cease to control (as defined by IFRS 10, Consolidated Financial Statements) the Company. Also, upon effectiveness of the Conversion, the terms of office of the respective members of the Supervisory Board as members of the Supervisory Board will end. The FME AG Supervisory Board will be composed of twelve members with equal representation of shareholders and employees.

The following persons proposed for election as four of the six shareholder representatives of the FME AG Supervisory Board were elected by the Company's shareholders at the EGM:

- a. Mr. Shervin J. Korangy, President and Chief Executive Officer at BVI Medical, Inc. Mr. Korangy also is a member of the board of directors of BVI Group Ltd., The Hain Celestial Group, Inc. and Motus GI Holdings, Inc.
- b. Dr. Marcus Kuhnert, member of the Executive Board of E. Merck KG (until July 31, 2024). Dr. Kuhnert also is a member of the board of directors of Döhler Group SE and, until June 30, 2023, was a member of the Executive Board and Chief Financial Officer of MERCK Kommanditgesellschaft auf Aktien.
- c. Mr. Gregory Sorensen, MD, who currently is a member of the Supervisory Board and the supervisory board of the General Partner.
- d. Ms. Pascale Witz, who currently is a member of the Supervisory Board and the supervisory board of the General Partner.

Fresenius SE has the exclusive right to appoint two of the six shareholder representatives to the FME AG Supervisory Board for as long as it holds 30% or more of the Company's share capital and the exclusive right to appoint one of the six shareholder representatives to the FME AG Supervisory Board for as long as it holds at least 15% (but less than 30%) of the Company's share capital and to dismiss those shareholder representatives. Fresenius SE appointed Mr. Michael Sen and Ms. Sara Hennicken, who are currently members of the supervisory board of the General Partner and management board members of Fresenius Management SE, as members of the FME AG Supervisory Board.

Mr. Sen was appointed the Chair of the FME AG Supervisory Board (who, in the case of a tie in the FME AG Supervisory Board, has two votes in a new vote on the same matter if this also results in a tie) by the FME AG Supervisory Board.

The employee representatives of the FME AG Supervisory Board would be elected in accordance with the German Co-Determination Act (*Mitbestimmungsgesetz*). To create parity on the FME AG Supervisory Board before the election process has been completed, the Company intends to start a formal filing to the local court (*Amtsgericht*) for an interim court appointment of employee representatives in the FME AG Supervisory Board. Such a court appointment is a standard procedure, and the Company expects the general works council or relevant trade unions to proceed accordingly.

The current members of the Management Board (Helen Giza, Franklin W. Maddux, MD, Dr. Katarzyna Mazur-Hofsäß and William Valle) were appointed by the FME AG Supervisory Board as members of the management board of FME AG. The existing service agreements (including ancillary agreements) of the members of the Management Board with Management AG will be transferred from Management AG to FME AG as of the day following the effectiveness of the Conversion.

FRESENIUS MEDICAL CARE AG & Co. KGaA
Notes to the interim consolidated financial statements

(in THOUS, except share and per share data)

On July 10, 2023, the Company announced the appointment of Martin Fischer as Chief Financial Officer and a member of the Management Board, effective as of October 1, 2023. In this role, he will succeed Helen Giza, the Chief Executive Officer and Chair of the Management Board, who continues to serve as acting Chief Financial Officer until Mr. Fischer joins the Company. Mr. Fischer will then become a member of the management board of FME AG.

No other significant events have taken place subsequent to the balance sheet date June 30, 2023 that have a material impact on the key figures and earnings presented. Currently, there are no other significant changes in the Company's structure, management, legal form or personnel.

Hof an der Saale, August 2, 2023

Fresenius Medical Care AG & Co. KGaA

Represented by the General Partner Fresenius Medical Care Management AG

Management Board

H. Giza

F. W. Maddux, MD

Dr. K. Mazur-Hofsäß

W. Valle

Review report

To Fresenius Medical Care AG & Co. KGaA, Hof an der Saale

We have reviewed the condensed consolidated interim financial statements - comprising the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statement of cash flows, consolidated statement of shareholders' equity and selected explanatory notes - and the interim group management report of Fresenius Medical Care AG & Co. KGaA, Hof an der Saale, for the period from January 1 to June 30, 2023 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors of the managing corporate general partner. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, August 2, 2023

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

Peter Kartscher
[Wirtschaftsprüfer]
(German Public Auditor)

Holger Lutz
[Wirtschaftsprüfer]
(German Public Auditor)

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the results of operations, financial position and net assets of the Fresenius Medical Care-Group, and the interim management report of the group 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 for the remaining months of the financial year.”

Hof an der Saale, August 2, 2023

Fresenius Medical Care AG & Co. KGaA

Represented by the General Partner Fresenius Medical Care Management AG

Management Board

H. Giza

F. W. Maddux, MD


Dr. K. Mazur-Hofsäß


W. Valle

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