

Shaping the future of kidney care

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Interim management report

In this report, “FME AG,” or the “Company,” “we,” “us” or “our” refers to Fresenius Medical Care AG or Fresenius Medical Care AG 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 unaudited 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, 2023, prepared in accordance with section 315 of the German Commercial Code (HGB) as well as the German Accounting Standard Number 20, contained in the Company's Annual Report 2023. The information within this interim management report is unaudited.

The term “Care Enablement” refers to our Care Enablement operating segment, which is primarily engaged in the distribution of products and equipment and includes research and development (R&D), 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 chronic kidney disease (CKD), end-stage renal disease (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. (VFMCRP), which are used in our clinics to provide health care services to our patients. Our 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.

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, 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 also 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 we believe taxes are outside the segments' control. See note 12 included in this report for a further discussion on our operating segments.

At an extraordinary general meeting (EGM) of the Company held on July 14, 2023, the shareholders of the Company approved a proposal to change the legal form of the Company from a partnership limited by shares (*Kommanditgesellschaft auf Aktien – KGaA*) into a stock corporation (*Aktiengesellschaft – AG*), (the Conversion). Upon effectiveness of the Conversion, which occurred upon registration of the Conversion with the competent commercial register on November 30, 2023, the Company's former general partner exited the Company, Fresenius SE & Co. KGaA (Fresenius SE) ceased to control (as defined by IFRS 10, Consolidated Financial Statements) the Company and the Company ceased to be a member of the Fresenius SE consolidated group.

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 FME AG 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

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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 United States (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, repeal or replace 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), the Federal Trade Commission Non-Compete Clause Rule, and the Food, Drug and Cosmetic Act, as well as the U.S. Securities and Exchange Commission's (SEC) rules that require extensive, detailed information about our climate-related risks and, outside the U.S., inter alia, the European Union (EU) Medical Device Regulation, the EU General Data Protection Regulation, the EU Taxonomy Regulation, the EU Corporate Sustainability Reporting Directive, the German Act on Human Rights Due Diligence in Supply Chains, the EU Due Diligence Directive, 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 the Centers for Medicare and Medicaid (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, implementing prior authorization requirements 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) (*Marietta*), particularly if the U.S. Congress fails to enact legislation that would reverse the potential 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 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;

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- launch of new technology, introduction of generic or new pharmaceuticals and medical devices that compete with our products or services, advances in medical therapies, including the increased utilization of pharmaceuticals that reduce the progression of CKD and its precursors, xenotransplantation research and development and new market entrants that compete with our businesses (further information regarding the impact of certain pharmaceuticals that reduce the progression of CKD and our analysis of their impact on our cash flow projections and goodwill sensitivity assessments can be found in note 1 included in this report);
- 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, organically and through acquisitions, including, with respect to acquisitions, the effects of increased enforcement of antitrust and competition laws, 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;
- volatility in the valuation of financial instruments connected to energy prices or energy production volumes (such as virtual power purchase agreements (vPPAs)), including the heightened risk of volatility as a result of geopolitical conflicts in certain regions;
- 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 (including data held by our third parties) and the potential effects on our reputation, customer or vendor relationships, business operations or competitiveness of any cybersecurity incidents we or our service providers may incur, 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;
- 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, services from third-party clearinghouses 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 our value-based care operations and other 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) 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;
- our ability to improve our financial performance through the divestiture of non-core and dilutive assets; 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 10 included in this report in note 25 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 2023. 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.

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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 2023.

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 140 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 specialty services as well as ambulatory surgery center services, physician nephrology practice management and ambulant treatment services. We estimate that the size of the global dialysis market was approximately €81 billion in 2023. 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 CKD; 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.

Significant U.S. reimbursement developments

The majority of health care services we provide are paid for by governmental institutions. For the three months ended March 31, 2024, approximately 26% 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 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 as part of the U.S. government's efforts to address the COVID-19 pandemic, 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:

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- 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) under which dialysis facilities in the U.S. 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) required a \$1.2 trillion reduction in deficits through 2021. As a backup, if Congress could not agree on proposals to reach this target, sequestration or across-the-board spending cuts would go into effect (U.S. Sequestration). On April 1, 2013, a 2% reduction to Medicare payments took effect and continues in force. Additionally, the Statutory Pay-As-You-Go Act of 2010 (Statutory PAYGO) requires that if the Congressional Budget Office determines that Congress has passed legislation increasing the federal budget deficit, a 4% sequester cut for Medicare program payments would become effective. To date, Congress has passed legislation increasing the federal deficit on a number of occasions subsequent to the passage of Statutory PAYGO, but has always acted to prevent such sequestration from becoming effective. Spending cuts pursuant to the U.S. Sequestration have adversely affected our operating results in the past and 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 many of those changes.
- On October 27, 2023, CMS issued a final rule for the ESRD PPS rate for calendar year (CY) 2024. The final base rate per treatment for CY 2024 is \$271.02, which represents a 2.1% increase from the CY 2023 base rate of \$265.57. The final 2.1% increase is based on a market basket increase of 2.4% partially offset by a 0.3% multifactor productivity adjustment that is mandated by the ACA. The final 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 equal to the CY 2024 ESRD PPS base rate. CMS notes that the 1.0% target for ESRD outlier payments was not achieved in CY 2023. Outlier payments represented approximately 0.8% of total payments rather than 1.0%, very close to the target compared to prior years. CMS finalized policies clarifying criteria for the transitional add-on payment adjustment for new and innovative equipment and supplies (TPNIES). CMS finalized 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 transitional drug add-on payment adjustment (TDAPA) period. CMS terms this the “post-TDAPA payment adjustment.” CMS also established and applied a new add-on payment adjustment of 30% 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 also requires 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 2.1% increase in Medicare payments. CMS estimates that the aggregate ESRD PPS expenditures will increase by approximately \$190 million in CY 2024 compared to CY 2023. This reflects a \$180 million increase from the payment rate update, including approximately \$10 million in estimated TDAPA payments.
- Under the ESRD QIP, CMS assesses the total performance of each facility on a set of quality measures specified per payment year and applies up to a 2% payment reduction to facilities that do not meet a minimum total performance score. In the CY 2024 final rule, CMS added measures to the ESRD QIP effective in both 2026 and 2027, including measures to screen and report for social determinants of health and a “Facility Commitment to Health Equity” reporting measure, among others. CMS also removed several measures from the QIP measure set including the “Ultrafiltration Rate” reporting measure and Standardized Fistula Rate clinical measure.
- On November 2, 2023, CMS announced the CY 2024 final rule for hospital outpatient and ambulatory surgery center (ASC) payment systems. The final 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 final average increase is 3.1% compared to the prior year. On November 2, 2023, CMS also issued the final Physician Fee Schedule for CY 2024. The CY 2024 Physician Fee Schedule conversion factor is \$32.74, a decrease of \$1.15 (or 3.4%) from the CY 2023 conversion factor of \$33.89.
- 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% 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

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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 beginning in 2023. CMS projects that the change will save state Medicaid agencies \$2 billion (€2 billion at the date of estimation) over ten years while increasing payment to health care providers, including dialysis providers, serving dually eligible beneficiaries by \$8 billion (€8 billion at the date of estimation) 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% 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 could 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 reimbursement under Medicare, commercial insurance or Medicare Advantage plans, or in 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 *Marietta* ruling 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 could 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 operations. In December 2023, a bipartisan group of six members of the House reintroduced the Restore Protections for Dialysis Patients Act (H.R. 6860), which would address the *Marietta* decision. The bill includes updated language which would restore the understanding of the Medicare Secondary Payer Act prior to the *Marietta* decision and ensure that patients cannot be discriminated against because of their need for dialysis. As Medicare and Medicaid reimbursement rates are generally lower than the reimbursement rates paid by commercial insurers, 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. There can be no assurance that this proposal or any other legislation to address the *Marietta* decision will be enacted. 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 2023.

For additional information, see section "Risks" in our "Risks and opportunities report" in the group management report of the Annual Report 2023.

Premium assistance programs

The operation of charitable insurance premium assistance programs such as that offered by the American Kidney Fund (AKF) 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.

One such regulation that was enacted is AB290 in California (U.S.). Upon enactment, we, along with other providers and the AKF, filed suit challenging the validity of the law. *Jane Doe, et al. v. Xavier Becerra, et al.*, 8:19-cv-02105, U.S. District Court for the Central District of California, Southern Division. In December 2019, the court issued a preliminary injunction staying implementation of the law. On January 9, 2024, the court issued a summary judgment decision which, among other things, upheld the provisions limiting reimbursement paid to providers who donate to the AKF when such reimbursement relates to services provided to patients who receive AKF support. The court has yet to issue a final judgment in the case.

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 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

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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 March 31, 2024, 977 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 CKD 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% 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% 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. The accepted KCEs started assuming financial risk as of January 1, 2023. As of March 2024, approximately 58,000 patients were aligned to KCEs in which we participated.

Company structure

For a description of our structure, especially as relates to our operating segments, see our explanations above as well as note 12 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 Measures). 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 FME AG (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

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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.”

The primary key performance indicators are presented both in accordance with IFRS Accounting Standards and at Constant Currency. Each of these indicators presented at Constant Currency is considered a non-IFRS measure. For the purposes of management compensation, these metrics are also benchmarked at the underlying exchange rates used in the calculation of our incentive compensation targets.

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 FME AG 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 FME AG 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 FME AG 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 FME AG 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 FME AG 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 (outlook base)

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 providing the outlook (Special Items). In the presentation of the expected business development 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 three months ended March 31, 2024 and 2023, we identified the costs related to the FME25 Program, the Humacyte Remeasurements, 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 (outlook base) 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 (outlook base). These results at Constant Currency (outlook base) 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 (earnings before interest, taxes, depreciation and amortization) below (see “Net leverage ratio (Non-IFRS Measure)”). Additionally, we further adjust ROIC for costs related to Legacy Portfolio Optimization to increase comparability of the underlying financial figures of certain Management Board compensation performance targets with the Company's operating performance and to adequately recognize the actual performance of the members of the Management Board. 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:

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

in € M, except where otherwise specified

2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Total assets	34,336	33,930	35,635	34,960	35,501
Plus: Cumulative goodwill amortization and impairment loss	519	629	703	644	640
Minus: Cash and cash equivalents ⁽¹⁾	(1,192)	(1,427)	(1,574)	(1,363)	(1,224)
Minus: Deferred tax assets ⁽¹⁾	(279)	(292)	(304)	(314)	(307)
Minus: Accounts payable to unrelated parties ⁽¹⁾	(748)	(775)	(762)	(721)	(822)
Minus: Accounts payable to related parties	(110)	(123)	(119)	(140)	(111)
Minus: Provisions and other current liabilities ⁽²⁾	(3,026)	(2,936)	(3,235)	(3,018)	(3,007)
Minus: Income tax liabilities ⁽¹⁾	(280)	(231)	(263)	(230)	(215)
Invested capital	29,220	28,775	30,081	29,818	30,455
Average invested capital as of March 31, 2024	29,670				
Operating income	1,355				
Income tax expense ⁽³⁾	(473)				
NOPAT	882				

Adjustments to average invested capital and ROIC

in € M, except where otherwise specified

2024	March 31, 2024	December 31, 2023⁽⁴⁾	September 30, 2023⁽⁴⁾	June 30, 2023⁽⁴⁾	March 31, 2023⁽⁴⁾
Total assets	—	(58)	(429)	(424)	(430)
Plus: Cumulative goodwill amortization and impairment loss	—	(34)	(35)	(38)	(39)
Minus: Cash and cash equivalents	—	—	21	21	21
Minus: Deferred tax assets	—	7	6	6	6
Minus: Accounts payable to unrelated parties	—	1	7	6	7
Minus: Accounts payable to related parties	—	1	1	1	1
Minus: Provisions and other current liabilities ⁽²⁾	—	8	23	22	24
Invested capital	—	(75)	(406)	(406)	(410)
Adjustment to average invested capital as of March 31, 2024	(259)				
Adjustment to operating income ⁽⁴⁾	(9)				
Adjustment to income tax expense ⁽⁴⁾	3				
Adjustment to NOPAT	(6)				

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

in € M, except where otherwise specified

2024	March 31, 2024	December 31, 2023⁽⁴⁾	September 30, 2023⁽⁴⁾	June 30, 2023⁽⁴⁾	March 31, 2023⁽⁴⁾
Total assets	34,336	33,872	35,206	34,536	35,071
Plus: Cumulative goodwill amortization and impairment loss	519	595	668	606	601
Minus: Cash and cash equivalents ⁽¹⁾	(1,192)	(1,427)	(1,553)	(1,342)	(1,203)
Minus: Deferred tax assets ⁽¹⁾	(279)	(285)	(298)	(308)	(301)
Minus: Accounts payable to unrelated parties ⁽¹⁾	(748)	(774)	(755)	(715)	(815)
Minus: Accounts payable to related parties	(110)	(122)	(118)	(139)	(110)
Minus: Provisions and other current liabilities ⁽²⁾	(3,026)	(2,928)	(3,212)	(2,996)	(2,983)
Minus: Income tax liabilities ⁽¹⁾	(280)	(231)	(263)	(230)	(215)
Invested capital	29,220	28,700	29,675	29,412	30,045
Average invested capital as of March 31, 2024	29,410				
Operating income ⁽⁴⁾	1,346				
Income tax expense ^{(3), (4)}	(470)				
NOPAT	876				
ROIC in %	3.0				

Adjustments to average invested capital and ROIC (excluding Legacy Portfolio Optimization costs)

in € M, except where otherwise specified

2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Adjustment to operating income	265				
Adjustment to income tax expense	(4)				
Adjustment to NOPAT	261				

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Reconciliation of average invested capital and ROIC (Non-IFRS Measure, excluding Legacy Portfolio Optimization costs)

in € M, except where otherwise specified

2024	March 31, 2024	December 31, 2023⁽⁴⁾	September 30, 2023⁽⁴⁾	June 30, 2023⁽⁴⁾	March 31, 2023⁽⁴⁾
Total assets	34,336	33,872	35,206	34,536	35,071
Plus: Cumulative goodwill amortization and impairment loss	519	595	668	606	601
Minus: Cash and cash equivalents ⁽¹⁾	(1,192)	(1,427)	(1,553)	(1,342)	(1,203)
Minus: Deferred tax assets ⁽¹⁾	(279)	(285)	(298)	(308)	(301)
Minus: Accounts payable to unrelated parties ⁽¹⁾	(748)	(774)	(755)	(715)	(815)
Minus: Accounts payable to related parties	(110)	(122)	(118)	(139)	(110)
Minus: Provisions and other current liabilities ⁽²⁾	(3,026)	(2,928)	(3,212)	(2,996)	(2,983)
Minus: Income tax liabilities ⁽¹⁾	(280)	(231)	(263)	(230)	(215)
Invested capital	29,220	28,700	29,675	29,412	30,045
Average invested capital as of March 31, 2024	29,410				
Operating income ⁽⁴⁾	1,611				
Income tax expense ^{(3), (4)}	(474)				
NOPAT	1,137				
ROIC in % (excluding Legacy Portfolio Optimization costs)	3.9				

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

in € M, except where otherwise specified

2023	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Total assets	33,930	35,635	34,960	35,501	35,754
Plus: Cumulative goodwill amortization and impairment loss	629	703	644	640	645
Minus: Cash and cash equivalents ⁽¹⁾	(1,427)	(1,574)	(1,363)	(1,224)	(1,274)
Minus: Loans to related parties	—	—	—	—	(1)
Minus: Deferred tax assets ⁽¹⁾	(292)	(304)	(314)	(307)	(313)
Minus: Accounts payable to unrelated parties ⁽¹⁾	(775)	(762)	(721)	(822)	(813)
Minus: Accounts payable to related parties	(123)	(119)	(140)	(111)	(138)
Minus: Provisions and other current liabilities ⁽²⁾	(2,936)	(3,235)	(3,018)	(3,007)	(3,008)
Minus: Income tax liabilities	(231)	(263)	(230)	(215)	(171)
Invested capital	28,775	30,081	29,818	30,455	30,681
Average invested capital as of December 31, 2023	29,962				
Operating income	1,369				
Income tax expense ⁽³⁾	(508)				
NOPAT	861				

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Adjustments to average invested capital and ROIC

in € M, except where otherwise specified

2023	December 31, 2023	September 30, 2023 ⁽⁴⁾	June 30, 2023 ⁽⁴⁾	March 31, 2023 ⁽⁴⁾	December 31, 2022 ⁽⁴⁾
Total assets	—	(370)	(361)	(361)	(368)
Minus: Cash and cash equivalents	—	20	20	20	20
Minus: Accounts payable to unrelated parties	—	5	5	5	5
Minus: Provisions and other current liabilities ⁽²⁾	—	16	16	16	16
Invested capital	—	(329)	(320)	(320)	(327)
Adjustment to average invested capital as of December 31, 2023	(259)				
Adjustment to operating income ⁽⁴⁾	(32)				
Adjustment to income tax expense ⁽⁴⁾	12				
Adjustment to NOPAT	(20)				

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

in € M, except where otherwise specified

2023	December 31, 2023	September 30, 2023 ⁽⁴⁾	June 30, 2023 ⁽⁴⁾	March 31, 2023 ⁽⁴⁾	December 31, 2022 ⁽⁴⁾
Total assets	33,930	35,265	34,599	35,140	35,386
Plus: Cumulative goodwill amortization and impairment loss	629	703	644	640	645
Minus: Cash and cash equivalents ⁽¹⁾	(1,427)	(1,554)	(1,343)	(1,204)	(1,254)
Minus: Loans to related parties	—	—	—	—	(1)
Minus: Deferred tax assets ⁽¹⁾	(292)	(304)	(314)	(307)	(313)
Minus: Accounts payable to unrelated parties ⁽¹⁾	(775)	(757)	(716)	(817)	(808)
Minus: Accounts payable to related parties	(123)	(119)	(140)	(111)	(138)
Minus: Provisions and other current liabilities ⁽²⁾	(2,936)	(3,219)	(3,002)	(2,991)	(2,992)
Minus: Income tax liabilities	(231)	(263)	(230)	(215)	(171)
Invested capital	28,775	29,752	29,498	30,135	30,354
Average invested capital as of December 31, 2023	29,703				
Operating income ⁽⁴⁾	1,337				
Income tax expense ^{(3), (4)}	(496)				
NOPAT	841				
ROIC in %	2.8				

(1) Includes amounts related to assets, and associated liabilities, classified as held for sale (see note 2 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, debt servicing and reductions in debt financing or for repurchasing shares.

For a reconciliation of cash flow performance indicators for the three months ended March 31, 2024 and 2023 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, which we define as EBITDA 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 (including any impairment losses associated with the FME25 Program and Legacy Portfolio Optimization, as defined below), and
- special items, including:
 - i. costs related to our FME25 Program,
 - ii. the impact from the remeasurement of our investment in Humacyte, Inc. and receivables related to a royalty stream that we are entitled to based on sales made by Humacyte, Inc. in the U.S. (Humacyte Remeasurements),
 - iii. certain costs associated with the Conversion, 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 have historically been administered at the Fresenius SE group level and paid by the Company through corporate charges (Legal Form Conversion Costs), and
 - iv. 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 R&D 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 three months ended March 31, 2024, these impacts are mainly driven by impairment losses resulting from the measurement of assets held for sale (see note 2 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 March 31, 2024 and December 31, 2023, 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 months ended March 31, 2024:

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 R&D programs to enable more focused capital allocation towards areas in our core business that are expected to have higher profitable growth. During the three months ended March 31, 2024, the impacts from Legacy Portfolio Optimization mainly comprise the items described in iv., above, under "Net leverage ratio (Non-IFRS Measure)" (see note 2 included in this report).

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Overall, the impacts from Legacy Portfolio Optimization resulted in a negative effect on operating income of €143 M and €84 M for the three months ended March 31, 2024 and 2023, respectively.

FME25 Program

Overall, the costs related to the FME25 Program resulted in a negative impact to operating income of €28 M for the three months ended March 31, 2024 (€26 M for the three months ended March 31, 2023). For the three months ended March 31, 2024, recurring savings related to the FME25 Program were €112 M (€60 M for the three months ended March 31, 2023).

In the discussion of our results for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 below, the effects of the costs and savings related to the FME25 Program are presented on a net basis.

Change in management

On March 13, 2024, we announced the appointment of Jörg Häring as our new Global Head of Legal, Compliance and Human Resources. Mr. Häring will join us as a member of the Management Board, effective June 1, 2024, and will also assume the role of Labor Relations Director. He is currently a member of the Management Committee, Chief Legal & Assurance Officer and General Secretary at the Spanish oil company Compañía Española de Petróleos (CEPSA), with global responsibility for Legal, Corporate Audit, Risk and Compliance. Previously, he spent more than 20 years with the Siemens Group, including as General Counsel for almost 13 years, with a wide range of regional and industry responsibilities. Prior to joining Siemens in 2002, Mr. Häring worked at the law firm Cleary, Gottlieb, Steen & Hamilton, based in Frankfurt and Brussels. He holds a PhD in law and a degree in economics from the University of Tübingen (Germany) and has been admitted lawyer to the bar by Munich District Court II.

Delayed claims processing

On February 21, 2024, one of our third party service providers was subject to a cyber-attack leading to the shutdown of its systems (the Third-party Cyber Incident). We contract with this third party for a range of financial clearinghouse services and we have not been able to raise claims with certain payors since early March 2024, although we have received advance payments made available by CMS and the third party service provider in connection with the delayed claims processing. Overall, the Third-party Cyber Incident resulted in a negative impact on operating cash inflows in the amount of €58 M for the three months ended March 31, 2024. We engaged alternative options for clearinghouses in the short-term, have received advance payments, as noted above, and increased borrowings to offset the impact on overall cash flows. See “— Net cash provided by (used in) operating activities,” below, and note 1 included in this report for further information.

Other Trends

We continue to face significant challenges in the labor market, particularly in the U.S., resulting in staff shortages, elevated turnover rates which remain higher than pre-pandemic levels and meaningfully higher costs. While we have seen signs of a stabilization of the labor market, such challenges are expected to continue in 2024 as we make investments in our employees. Additionally, overall treatments decreased for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily as divestitures in connection with Legacy Portfolio Optimization and the FME25 Program had a negative impact on overall treatment numbers. Specifically in the U.S., volumes were negatively affected by the cancellation of less profitable acute care contracts contributing to a 0.4% decline in Same Market Treatment Growth (as defined below) for the three months ended March 31, 2024 in addition to the impacts from divestitures noted above, 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.

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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 March 31, 2024 compared to three months ended March 31, 2023

Results of operations

in € M

	For the three months ended March 31,		Change in %		
			As reported	Currency translation effects	Constant Currency ⁽¹⁾
	2024	2023			
Revenue	4,725	4,704	0	(2)	2
Costs of revenue	(3,551)	(3,555)	0	2	2
Selling, general and administrative expense	(776)	(782)	(1)	2	1
Research and development	(48)	(56)	(14)	0	(14)
Income from equity method investees	29	28	5	0	5
Other operating income	113	117	(3)	1	(4)
Other operating expense	(246)	(195)	26	4	30
Operating income	246	261	(6)	(2)	(4)
Operating income margin	5.2	5.5			
Interest income	16	12	30	(7)	37
Interest expense	(104)	(95)	10	3	13
Income tax expense	(40)	(45)	(11)	0	(11)
Net income	118	133	(12)	(1)	(11)
Net income attributable to noncontrolling interests	(47)	(47)	0	1	1
Net income attributable to shareholders of FME AG	71	86	(18)	(1)	(17)
Basic and diluted earnings per share in €	0.24	0.29	(18)	(1)	(17)

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

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Key Performance Indicators

The following discussions include our two operating and reportable segments and the measures we use to manage these segments. For further information, see note 12 included in this report.

Revenue

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

	For the three months ended March 31,		Change in %				Same Market Treatment Growth ⁽²⁾
			As reported	Currency translation effects	Constant Currency ⁽¹⁾	Organic growth	
	2024	2023					
Revenue	4,725	4,704	0	(2)	2	5	
Care Delivery segment	3,788	3,756	1	(2)	3	6	0.0
Thereof: U.S.	3,102	3,003	3	(2)	5	6	(0.7)
Thereof: International	686	753	(9)	(5)	(4)	4	1.4
Care Enablement segment	1,297	1,311	(1)	(2)	1	2	
Inter-segment eliminations	(360)	(363)	0	(1)	1		
Dialysis treatments	12,277,650	12,843,574	(4)				
Patients	324,884	343,067	(5)				
Clinics	3,862	4,060	(5)				

(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

Revenue remained relatively stable as compared to the three months ended March 31, 2023 as an increase in organic growth in both Care Delivery and Care Enablement was offset by the effect of closed or sold operations and a negative impact from foreign currency translation.

Care Delivery

The increase in Care Delivery revenue as compared to the three months ended March 31, 2023 was driven by an increase in organic growth, partially offset by the effect of closed or sold operations and a negative impact from foreign currency translation. As of March 31, 2024, the number of patients treated in dialysis clinics that we own or operate in Care Delivery decreased as compared to March 31, 2023, primarily driven by divestitures in connection with Legacy Portfolio Optimization. Treatments in our Care Delivery segment decreased as compared to the three months ended March 31, 2023, primarily due to the effect of closed or sold clinics (primarily related to Legacy Portfolio Optimization), partially offset by an increase in dialysis days. During the three months ended March 31, 2024, we opened 6 dialysis clinics and combined, closed or sold 69 clinics.

U.S.

In the U.S., the increase in revenue was driven by an increase in organic growth which was supported by a favorable impact from our value and risk-based care programs (Value and Risk-Based Care Programs) driven by amounts attributable to contracts entered into in the second quarter of 2023 as well as membership growth and favorable savings achieved in certain programs, partially offset by a negative impact from foreign currency translation and the effect of closed or sold operations. Organic growth in the U.S. was further strengthened by reimbursement rate increases and a favorable payor mix in 2024. In the U.S., the number of patients treated in dialysis clinics that we own or operate remained relatively stable at 205,610 patients (March 31, 2023: 206,197). Treatments decreased slightly to 7,630,349 for the three months ended March 31, 2024 as compared to 7,709,803 for the three months ended March 31, 2023 primarily as Same Market Treatment Growth was limited by the cancellation of less profitable acute care contracts as well as capacity constraints in some metropolitan areas. We owned or operated 2,617 dialysis clinics in the U.S. at March 31, 2024 as compared to 2,636 dialysis clinics at March 31, 2023. During the three months ended March 31, 2024, we opened 6 dialysis clinics and combined, closed or sold 4 clinics.

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International

In our operations outside the U.S. (International), the decrease in revenue was driven by the effect of closed or sold operations and a negative impact from foreign currency translation, partially offset by an increase in organic growth and an increase in dialysis days. There were 119,274 patients, a decrease of 13% (March 31, 2023: 136,870) treated in dialysis clinics that we own or operate in International, primarily driven by divestitures in connection with Legacy Portfolio Optimization. Treatments in International decreased by 9% to 4,647,301 for the three months ended March 31, 2024 as compared to 5,133,771 for the three months ended March 31, 2023 driven by the effect of closed or sold clinics (primarily related to Legacy Portfolio Optimization), partially offset by an increase in dialysis days and Same Market Treatment Growth. We owned or operated 1,245 dialysis clinics in International at March 31, 2024 as compared to 1,424 dialysis clinics at March 31, 2023. During the three months ended March 31, 2024, we combined, closed or sold 65 clinics.

Care Enablement

Care Enablement revenue decreased as compared to the three months ended March 31, 2023 primarily driven by a negative impact from foreign currency translation and lower sales of acute cardiopulmonary products (mainly in China), partially offset by increased sales volumes of in-center disposables as well as an increase in average sales prices for our products.

Operating income (loss)

in € M

	For the three months ended March 31,		Change in %		
			As reported	Currency translation effects	Constant Currency ⁽¹⁾
	2024	2023			
Operating income (loss)	246	261	(6)	(2)	(4)
Care Delivery segment	189	284	(34)	0	(34)
Care Enablement segment	70	(24)	n.a.		n.a.
Inter-segment eliminations	1	(9)	n.a.		n.a.
Corporate	(14)	10	n.a.		n.a.
Operating income (loss) margin	5.2	5.5			
Care Delivery segment	5.0	7.6			
Care Enablement segment	5.4	(1.9)			

(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 a negative impact from Legacy Portfolio Optimization, higher personnel expense, inflationary cost increases and the absence, in 2024, of the results of operations for businesses previously divested under Legacy Portfolio Optimization, partially offset by a favorable impact from business growth, net savings associated with the FME25 Program and a positive impact from Value and Risk-Based Care Programs.

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 a negative impact from Legacy Portfolio Optimization, higher personnel expense, inflationary cost increases and the absence, in 2024, of the results of operations for businesses previously divested under Legacy Portfolio Optimization, partially offset by a favorable impact from business growth, a positive impact from Value and Risk-Based Care Programs and net savings associated with the FME25 Program.

Care Enablement

For the three months ended March 31, 2024, Care Enablement recorded an operating income as compared to operating loss for the three months ended March 31, 2023, primarily due to the absence of the prior year negative impact from Legacy Portfolio Optimization, net savings from the FME25 Program and a favorable impact from business growth (due to price impacts), partially offset by inflationary cost increases and unfavorable foreign currency transaction effects.

Secondary performance indicators and other contributors to profit and loss

Costs of revenue remained relatively stable as compared to the three months ended March 31, 2023 as a positive impact from foreign currency translation, the absence, in 2024, of the results of operations for businesses previously divested under Legacy Portfolio Optimization, net savings from the FME25 Program and lower costs associated with business growth (driven mainly by lower volumes) were offset by a negative impact from Value and Risk-Based Care Programs and inflationary cost increases.

Selling, general and administrative (SG&A) expense decreased for the three months ended March 31, 2024 as compared to three months ended March 31, 2023, primarily due to lower costs associated with business growth and net savings from the FME25 Program, partially offset by higher costs related to certain global functions.

The decrease in research and development expense was largely driven by lower costs related to activities in the field of regenerative medicine and products for extracorporeal heart and lung support.

The increase in income from equity method investees was primarily driven by higher earnings attributable to VFMCRRP.

The decrease in other operating income was primarily driven by lower gains related to businesses previously divested and lower foreign exchange gains, partially offset by a favorable impact from Value and Risk-Based Care Programs.

The increase in other operating expense was primarily driven by the impacts from Legacy Portfolio Optimization, partially offset by lower foreign exchange losses.

Net interest expense increased by 7% to €88 M from €83 M, primarily due to refinancing activities (including increases of interest rates of several instruments) and lower interest income associated with receivables related to a royalty stream that we are entitled to based on sales made by Humacyte, Inc. in the U.S.

The effective tax rate remained stable at 25.0% for the three months ended March 31, 2024 and 2023 as a negative impact from Legacy Portfolio Optimization was offset by lower tax provisions related to tax law changes.

Net income attributable to noncontrolling interests remained relatively stable for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.

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

Basic earnings per share decreased for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, primarily due to the decrease in net income attributable to shareholders of FME AG described above. The average weighted number of shares outstanding for the period remained stable at 293.4 M on March 31, 2024 as compared to the prior year period (March 31, 2023: 293.4 M).

We employed 117,128 people (total headcount) as of March 31, 2024 (March 31, 2023: 125,231). This 6% decrease was largely due to the divestiture of certain businesses in connection with Legacy Portfolio Optimization as well as impacts from the FME25 Program.

Consolidated operating performance (outlook base)

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 (outlook base) should be analyzed only in connection with the results presented above. For the three months ended March 31, 2024 and 2023, we identified the costs related to the FME25 Program, the Humacyte Remeasurements, 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 2024 outlook, the prior year basis was adjusted accordingly for the business impacts from closed divestitures in 2023 and the Tricare settlement in the fourth quarter 2023.

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 on outlook base. These results (outlook base) should only be viewed as a supplement to our results disclosed in accordance with IFRS Accounting Standards.

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Consolidated operating performance (outlook base)

in € M

	For the three months ended March 31,							Change in % (outlook base)		
	Special Items					Results 2024 excluding Special Items	Currency translation effects	Results 2024 at Constant Currency (outlook base) ⁽¹⁾	Current rate	Constant Currency ⁽¹⁾
	Results 2024	FME25 Program	Humacyte Remeasure- ments	Legal Form Conversion Costs	Legacy Portfolio Optimization					
Revenue	4,725	—	—	—	—	4,725	97	4,822	2	4
Operating income	246	28	(15)	1	143	403	13	416	19	23

Consolidated operating performance (outlook base)

in € M

	For the three months ended March 31,							Results 2023 (outlook base)		
	Special Items					Results 2023	Divestitures ⁽²⁾			
	Results 2023	FME25 Program	Humacyte Remeasure- ments	Legal Form Conversion Costs	Legacy Portfolio Optimization					
Revenue				4,704	—	—	—	(85)	4,619	
Operating income				261	26	(19)	(19)	84	(16)	338

(1) Outlook base as referred to the 2024 outlook, presented at Constant Currency, excluding Special Items, business impacts from closed divestitures in 2023 and the Tricare settlement in the fourth quarter 2023. For further information on Constant Exchange Rates, see "II. Discussion of measures - Non-IFRS measures" above.

(2) Business impacts from closed divestitures in 2023.

Financial position

Sources of liquidity

Our primary sources of liquidity are typically cash provided by operating activities, cash provided by short-term debt, 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 March 31, 2024, 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 March 31, 2024 and December 31, 2023.

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

in € M, except for net leverage ratio

	March 31, 2024	December 31, 2023
Debt and lease liabilities ⁽¹⁾	12,193	12,187
Minus: Cash and cash equivalents ⁽²⁾	(1,192)	(1,427)
Net debt	11,001	10,760
Net income ⁽³⁾	717	732
Income tax expense ⁽³⁾	296	301
Interest income ⁽³⁾	(92)	(88)
Interest expense ⁽³⁾	434	424
Depreciation and amortization ⁽³⁾	1,588	1,613
Adjustments ^{(3), (4)}	502	409
Adjusted EBITDA	3,445	3,391
Net leverage ratio	3.2	3.2

(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 2 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 (2024: -€14 M; 2023: -€35 M), non-cash charges, primarily related to pension expense (2024: €56 M; 2023: €56 M), impairment loss (2024: €238 M; 2023: €139 M) and special items, including costs related to the FME25 Program (2024: €108 M; 2023: €106 M), Legal Form Conversion Costs (2024: €30 M; 2023: €30 M), Legacy Portfolio Optimization (2024: €95 M; 2023: €128 M) and Humacyte Remeasurements (2024: -€11 M; 2023: -€15 M). See “II. Discussion of measures – Non-IFRS measures – Net leverage ratio (Non-IFRS Measure),” above.

At March 31, 2024, we had cash and cash equivalents of €1,148 M (December 31, 2023: €1,403 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 three months ended March 31, 2024 and 2023 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:

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Cash flow measures

in € M, except where otherwise specified

	For the three months ended March 31,	
	2024	2023
Revenue	4,725	4,704
Net cash provided by (used in) operating activities	127	143
Capital expenditures	(134)	(142)
Proceeds from sale of property, plant and equipment	5	1
Capital expenditures, net	(129)	(141)
Free cash flow	(2)	2
Net cash provided by (used in) operating activities in % of revenue	2.7	3.0
Free cash flow in % of revenue	0.0	0.0

Net cash provided by (used in) operating activities

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 decrease in net cash provided by operating activities in percent of revenue as compared to the first three months of 2023 was mainly driven by the impacts from the Third-party Cyber Incident, including an increase in trade accounts and other receivables from unrelated parties, partially offset by advance payments received from CMS, which were made available to providers experiencing claims disruptions related to the incident, and an interest-free advance payment received directly from the related third-party service provider.

The profitability of our business depends significantly on reimbursement rates for our services. For the three months ended March 31, 2024, approximately 79% of our revenue was generated by providing health care services, a major portion of which is reimbursed by either public health care organizations or private insurers. For the three months ended March 31, 2024, approximately 26% 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 “— Forward-looking statements” and “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. We expect that we will have adequate sources of financing available to us notwithstanding the termination of this facility under the aforementioned 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) (Non-IFRS Measure) of 76 days at March 31, 2024 (December 31, 2023: 67 days).

DSO by segment is calculated by dividing the respective segment’s trade accounts and other receivables from unrelated parties (including receivables related to assets held for sale) less contract liabilities, converted to euro using the average exchange rate for the period presented by the average daily sales for the last twelve months of that segment, including sales or value-added tax, converted to euro using the average exchange rate for the period. In order to ensure comparability of line items included in the consolidated balance sheets and consolidated statements of income, trade accounts and other receivables from unrelated parties (including receivables related to assets held for sale) and contract liabilities as of March 31, 2024 are adjusted for a decrease in the amount of €7.2 M and €0.4 M, respectively (December 31, 2023: an increase of €65 M and €2 M, respectively) which represents the impact on these line items from foreign currency translation. Additionally, daily revenues in the amount of (€0.5) M and (€0.4) M for the twelve months ended March 31, 2024 and December 31, 2023, respectively, are adjusted in relation to amounts related to acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold, to increase consistency 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) and in the amount of €0.8 M and €0.9 M for the twelve months ended March 31, 2024 and December 31, 2023, respectively to include sales or value-added tax. The development of DSO by reporting segment is shown in the table below:

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Development of days sales outstanding

<i>in days</i>	March 31, 2024	December 31, 2023	Explanation of movement
Care Delivery	71	59	Seasonality in invoicing and the impact from the Third-party Cyber Incident
Care Enablement	92	97	Improvement of payment collections in certain regions
FME AG average days sales outstanding	76	67	

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 10 included in this report.

Net cash provided by (used in) investing activities

Net cash used in investing activities in the first three months of 2024 was €68 M as compared to net cash used in investing activities of €163 M in the comparable period of 2023. The following table shows a breakdown of our investing activities for the first three months of 2024 and 2023:

Cash flows relating to investing activities

in € M

	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 three months ended March 31,					
	2024	2023	2024	2023	2024	2023
Care Delivery	74	90	0	20	47	20
Care Enablement	55	51	0	29	14	7
Total	129	141	0	49	61	27

The majority of our capital expenditures in the first three months of 2024 was used for maintaining existing clinics and centers, equipping new clinics and centers, expansion of production capacity, capitalization of machines provided to our customers, capitalization of certain development costs, maintenance of production equipment and IT implementation costs. Capital expenditures accounted for approximately 3% of total revenue in the first three months of 2024 and 2023.

Divestitures in the first three months of 2024 were mainly related to the divestment of equity investments (including divestitures under our Legacy Portfolio Optimization program) and debt securities.

Investments in the first three months of 2023 were primarily comprised of purchases of debt securities. Divestitures in the first three months of 2023 were mainly related to the divestment of debt securities and equity investments.

In 2024, we anticipate capital expenditures around €0.8 billion and expect to limit acquisition and investment spending, while focusing on the organic growth of our business. Our anticipated capital expenditures are driven by the need to position us well to capture growth opportunities as well as to maintain quality levels and patient experience. Additionally, we plan accelerated capital expenditures in new production facilities as well as into R&D activities for a more globalized product portfolio.

Net cash provided by (used in) financing activities

In the first three months of 2024, net cash used in financing activities was €290 M as compared to net cash provided by financing activities of €2 M in the first three months of 2023.

In the first three months of 2024, cash was mainly used in the repayment of short-term debt (including borrowings under our commercial paper program), the repayment of lease liabilities (including lease liabilities from related parties) and distributions to noncontrolling interests, partially offset by borrowings under the Accounts Receivable Facility.

In the first three months of 2023, cash was mainly provided by drawings under the Accounts Receivable Facility and proceeds from short-term debt (including borrowings under our commercial paper program and short-term debt from related parties), partially offset by the repayment of lease liabilities (including lease liabilities from related parties), distributions to noncontrolling interest and the repayment of short-term debt (including borrowings under our commercial paper program and short-term debt from related parties). For further information, see note 8 included in this report.

Net Assets

Total assets as of March 31, 2024 increased by 1% to €34.3 billion from €33.9 billion as compared to December 31, 2023, which included a 1% positive impact resulting from foreign currency translation. Without the impact from foreign currency translation, total assets remained relatively stable at €33.8 billion (December 31, 2023: €33.9 billion). Trade accounts and other receivables from unrelated parties increased, while cash and cash equivalents decreased, both as a result of the Third-party Cyber Incident and seasonality in invoicing. Additionally, an increase in assets classified as held for sale in connection with Legacy Portfolio Optimization was offset by a decrease in amounts formerly presented as goodwill in our consolidated balance sheets.

Current assets as a percent of total assets increased to 27% at March 31, 2024 as compared to 26% at December 31, 2023, primarily due to the shift in certain assets from non-current to current as a result of the classification of assets held for sale as well as the shifts in trade accounts and other receivables from unrelated parties and cash and cash equivalents noted above. The equity ratio, the ratio of our equity divided by total liabilities and shareholders' equity, remained stable at 44% at March 31, 2024 and December 31, 2023. ROIC increased slightly to 3.0% at March 31, 2024 as compared to 2.8% at December 31, 2023. ROIC excluding Legacy Portfolio Optimization costs increased to 3.9% at March 31, 2024. Goodwill, included in the item "Invested capital," has a significant impact on the calculation of ROIC. The weighted average cost of capital (WACC), including weighted risk premiums for country risks, was 8.0%. 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 first quarter 2024 demonstrates that we are executing on our strategy as planned. Both segments expanded their respective margins compared to the prior year. Especially for Care Enablement, the first quarter 2024 was an inflection point as our transformation efforts, higher pricing and savings related to the FME25 Program drove a solid margin improvement. We are also executing with speed our strategic portfolio optimization program. We have started the year 2024 with a slightly more favorable operating income phasing than planned and confirm our financial outlook for the full year 2024.

Report on post balance sheet date events

Refer to note 13 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 2023.

We confirm the outlook 2024. Outlook 2024 is based on the outlined assumptions in chapter “Outlook” in the group management report of the Annual Report 2023, it is provided at Constant Exchange Rates and excludes Special Items. Special Items include costs related to the FME25 Program, the Humacyte Remeasurements, 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 providing the outlook.

The growth rates are based on the results in 2023 excluding Special Items. To provide a comparable basis for the 2024 outlook, the prior year basis was adjusted for the Tricare settlement and the business impacts from closed divestitures in 2023.

Outlook for primary key performance indicators 2024

	Outlook 2024 (at Constant Currency)
Revenue ⁽¹⁾	Low to mid-single digit percentage rate growth
Operating income ⁽¹⁾	Mid to high-teens percentage rate growth

(1) Outlook 2024 is based on the outlined assumptions in chapter “Outlook” in the group management report of the Annual Report 2023 and excludes Special Items. Special Items include costs related to the FME25 Program, the Humacyte Remeasurements, 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 providing the outlook. The growth rates are based on the results 2023 excluding Special Items. Additionally, the results in 2023 were adjusted for the Tricare settlement and the business impacts from closed divestitures in 2023. 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 10 and 11 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 69-85 in the group management report of the Annual Report 2023.

Opportunities report

In comparison to the information contained within the Annual Report 2023, there have been no material changes in the first three months of 2024. Please refer to chapter “Risks and Opportunities Report” on pages 85-88 in the group management report of the Annual Report 2023.

Corporate governance

The Management Board and the Supervisory Board of FME AG 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/>.

FRESENIUS MEDICAL CARE AG
Interim Financial Statements
Consolidated statements of income
(unaudited)

Consolidated statements of income

in € thousands (THOUS), except per share data

	Note	For the three months ended March 31,	
		2024	2023
Revenue:			
Health care services	3a	3,748,264	3,712,731
Health care products	3a	976,258	991,487
		4,724,522	4,704,218
Costs of revenue:			
Health care services		3,027,456	3,022,039
Health care products		523,415	533,037
		3,550,871	3,555,076
Operating (income) expenses:			
Selling, general and administrative		775,644	782,154
Research and development	3c	47,801	55,760
Income from equity method investees	12	(28,843)	(27,514)
Other operating income	3d	(113,499)	(117,471)
Other operating expense	3d	246,535	195,276
Operating income		246,013	260,937
Other (income) expense:			
Interest income		(15,663)	(12,081)
Interest expense		103,850	94,653
Income before income taxes		157,826	178,365
Income tax expense		39,511	44,512
Net income		118,315	133,853
Net income attributable to noncontrolling interests		47,356	47,491
Net income attributable to shareholders of FME AG		70,959	86,362
Basic earnings per share	3e	0.24	0.29
Diluted earnings per share	3e	0.24	0.29

See accompanying notes to the interim consolidated financial statements (unaudited).

FRESENIUS MEDICAL CARE AG

Consolidated statements of comprehensive income (unaudited)

Consolidated statements of comprehensive income

in € THOUS

	For the three months ended March 31,	
	2024	2023
Net income	118,315	133,853
Other comprehensive income (loss):		
Components that will not be reclassified to profit or loss:		
FVOCI equity investments	(4,273)	—
Actuarial gain (loss) on defined benefit pension plans	23,204	(362)
Income tax (expense) benefit related to components of other comprehensive income not reclassified	(6,581)	94
	<u>12,350</u>	<u>(268)</u>
Components that may be reclassified subsequently to profit or loss:		
Gain (loss) related to foreign currency translation	192,328	(326,841)
FVOCI debt securities	(1,685)	7,989
Gain (loss) related to cash flow hedges	(3,840)	598
Cost of hedging	1,579	707
Income tax (expense) benefit related to components of other comprehensive income that may be reclassified	1,014	(1,775)
	<u>189,396</u>	<u>(319,322)</u>
Other comprehensive income (loss), net of tax	201,746	(319,590)
Total comprehensive income (loss)	320,061	(185,737)
Comprehensive income attributable to noncontrolling interests	72,706	21,453
Comprehensive income (loss) attributable to shareholders of FME AG	247,355	(207,190)

See accompanying notes to the interim consolidated financial statements (unaudited).

FRESENIUS MEDICAL CARE AG
Consolidated balance sheets (unaudited)

Consolidated balance sheets

in € THOUS, except share data

	Note	March 31, 2024	December 31, 2023
Assets			
Cash and cash equivalents		1,148,261	1,403,492
Trade accounts and other receivables from unrelated parties		3,999,789	3,471,213
Accounts receivable from related parties	4	50,247	165,299
Inventories	6	2,216,401	2,179,175
Other current assets		721,097	730,460
Other current financial assets		250,354	244,172
Assets held for sale	2	896,531	507,600
Total current assets		9,282,680	8,701,411
Property, plant and equipment		3,672,917	3,782,780
Right-of-use assets		3,633,509	3,671,241
Intangible assets		1,360,259	1,362,327
Goodwill		14,675,530	14,650,008
Deferred taxes		268,336	283,953
Investment in equity method investees	12	615,755	642,928
Other non-current assets		137,806	223,576
Other non-current financial assets		689,307	611,584
Total non-current assets		25,053,419	25,228,397
Total assets		34,336,099	33,929,808
Liabilities			
Accounts payable to unrelated parties		725,178	762,068
Accounts payable to related parties	4	110,235	123,081
Current provisions and other current liabilities		1,661,690	1,617,434
Other current financial liabilities		1,689,179	1,675,556
Short-term debt from unrelated parties	7	109,137	456,904
Current portion of long-term debt	8	795,734	487,699
Current portion of lease liabilities from unrelated parties		591,609	593,033
Current portion of lease liabilities from related parties	4	24,813	23,926
Income tax liabilities		225,695	191,265
Liabilities directly associated with assets held for sale	2	270,331	180,624
Total current liabilities		6,203,601	6,111,590
Long-term debt, less current portion	8	7,016,649	6,959,863
Lease liabilities from unrelated parties, less current portion		3,385,999	3,419,338
Lease liabilities from related parties, less current portion	4	106,725	109,649
Non-current provisions and other non-current liabilities		372,936	332,813
Other non-current financial liabilities		714,332	715,660
Pension liabilities		647,995	664,327
Income tax liabilities		44,508	39,747
Deferred taxes		711,027	750,286
Total non-current liabilities		13,000,171	12,991,683
Total liabilities		19,203,772	19,103,273
Shareholders' equity:			
Ordinary shares, no par value, €1.00 nominal value, 362,370,124 shares authorized, 293,413,449 issued and outstanding as of March 31, 2024 (December 31, 2023: 293,413,449)		293,413	293,413
Additional paid-in capital		3,385,588	3,380,331
Retained earnings		11,027,128	10,921,686
Accumulated other comprehensive income (loss)		(798,773)	(975,169)
Total FME AG shareholders' equity		13,907,356	13,620,261
Noncontrolling interests		1,224,971	1,206,274
Total equity		15,132,327	14,826,535
Total liabilities and equity		34,336,099	33,929,808

See accompanying notes to the interim consolidated financial statements (unaudited).

FRESENIUS MEDICAL CARE AG
Consolidated statements of cash flows (unaudited)

Consolidated statements of cash flows

in € THOUS

	Note	For the three months ended March 31,	
		2024	2023
Operating activities			
Net income		118,315	133,853
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment loss	12	512,443	437,814
Change in deferred taxes, net		(44,365)	(22,373)
(Gain) loss from the sale of fixed assets, right-of-use assets, investments and divestitures		(11,367)	(25,900)
Income from equity method investees	12	(28,843)	(27,514)
Interest expense, net		88,188	82,571
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts and other receivables from unrelated parties		(669,126)	(406,332)
Inventories		(40,995)	(88,394)
Other current and non-current assets		(17,927)	(8,147)
Accounts receivable from related parties		116,405	49,484
Accounts payable to related parties		(14,296)	(25,224)
Accounts payable to unrelated parties, provisions and other current and non-current liabilities		140,895	61,349
Income tax liabilities		64,213	79,590
Received dividends from investments in equity method investees		1,472	1,033
Paid interest		(83,423)	(77,255)
Received interest		15,547	11,855
Paid income taxes		(19,828)	(33,575)
Net cash provided by (used in) operating activities		127,308	142,835
Investing activities			
Purchases of property, plant and equipment and capitalized development costs		(133,900)	(142,131)
Acquisitions, net of cash acquired, investments and purchases of intangible assets		892	(4,195)
Investments in debt securities		(188)	(45,886)
Proceeds from sale of property, plant and equipment		4,406	1,638
Proceeds from divestitures		39,687	12,267
Proceeds from sale of debt securities		20,736	15,030
Net cash provided by (used in) investing activities		(68,367)	(163,277)
Financing activities			
Proceeds from short-term debt from unrelated parties		11,505	93,346
Repayments of short-term debt from unrelated parties		(356,359)	(57,584)
Proceeds from short-term debt from related parties		—	10,204
Repayments of short-term debt from related parties		—	(1,000)
Proceeds from long-term debt		9,288	6,472
Repayments of long-term debt		(16,445)	(14,193)
Repayments of lease liabilities from unrelated parties		(155,928)	(179,670)
Repayments of lease liabilities from related parties		(6,197)	(6,413)
Increase (decrease) of accounts receivable facility		276,297	232,989
Distributions to noncontrolling interests		(56,948)	(83,469)
Contributions from noncontrolling interests		5,130	1,332
Net cash provided by (used in) financing activities		(289,657)	2,014
Effect of exchange rate changes on cash and cash equivalents		(4,514)	(31,469)
Cash and cash equivalents:			
Net increase (decrease) in cash and cash equivalents		(235,230)	(49,897)
Cash and cash equivalents at beginning of period		1,427,225	1,273,787
Cash and cash equivalents at end of period		1,191,995	1,223,890
Thereof: cash and cash equivalents within the disposal groups	2	43,734	—

See accompanying notes to the interim consolidated financial statements (unaudited).

FRESENIUS MEDICAL CARE AG

Consolidated statements of shareholders' equity
For the three months ended March 31, 2024 and 2023 (unaudited)

Consolidated statements of shareholders' equity

in € THOUS, except share data

	Ordinary shares				Accumulated other comprehensive income (loss)				Total FME AG 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, 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
Transactions with noncontrolling interests without loss of control		—	—	(7,709)	—	—	—	—	—	(7,709)	(17,317)	(25,026)
Noncontrolling interests due to changes in consolidation group		—	—	—	—	—	—	—	—	—	(12,857)	(12,857)
Contributions from/ to noncontrolling interests		—	—	—	—	—	—	—	—	—	(51,978)	(51,978)
Put option liabilities	11	—	—	—	53,349	—	—	—	—	53,349	—	53,349
Net income		—	—	—	86,362	—	—	—	—	86,362	47,491	133,853
Other comprehensive income (loss) related to:												
Foreign currency translation		—	—	—	—	(303,972)	7	2,864	298	(300,803)	(26,038)	(326,841)
Cash flow hedges, net of related tax effects		—	—	—	—	—	1,002	—	—	1,002	—	1,002
Pensions, net of related tax effects		—	—	—	—	—	—	(268)	—	(268)	—	(268)
Fair value changes, net of related tax effects		—	—	—	—	—	—	—	6,517	6,517	—	6,517
Comprehensive income		—	—	—	—	—	—	—	—	(207,190)	21,453	(185,737)
Balance at March 31, 2023		293,413,449	293,413	3,365,090	10,851,420	(511,182)	382	(152,930)	(18,290)	13,827,903	1,399,027	15,226,930
Balance at December 31, 2023		293,413,449	293,413	3,380,331	10,921,686	(765,581)	(4,585)	(192,490)	(12,513)	13,620,261	1,206,274	14,826,535
Transactions with noncontrolling interests without loss of control		—	—	5,257	—	—	—	—	—	5,257	386	5,643
Contributions from/ to noncontrolling interests		—	—	—	—	—	—	—	—	—	(54,395)	(54,395)
Put option liabilities	11	—	—	—	34,483	—	—	—	—	34,483	—	34,483
Net income		—	—	—	70,959	—	—	—	—	70,959	47,356	118,315
Other comprehensive income (loss) related to:												
Foreign currency translation		—	—	—	—	223,357	(94)	(3,047)	(53,238)	166,978	25,350	192,328
Cash flow hedges, net of related tax effects		—	—	—	—	—	(1,740)	—	—	(1,740)	—	(1,740)
Pensions, net of related tax effects		—	—	—	—	—	—	16,623	—	16,623	—	16,623
Fair value changes, net of related tax effects		—	—	—	—	—	—	—	(5,465)	(5,465)	—	(5,465)
Comprehensive income		—	—	—	—	—	—	—	—	247,355	72,706	320,061
Balance at March 31, 2024		293,413,449	293,413	3,385,588	11,027,128	(542,224)	(6,419)	(178,914)	(71,216)	13,907,356	1,224,971	15,132,327

See accompanying notes to the interim consolidated financial statements (unaudited).

Notes to the interim consolidated financial statements
(unaudited)
(in THOUS, except share and per share data)

1. The Company and basis of presentation

The Company

Fresenius Medical Care AG (FME AG or the Company) is a German stock corporation (*Aktiengesellschaft* — AG) registered with the commercial register of Hof (Saale) under HRB 6841, with its business address at Else-Kröner-Str. 1, 61352 Bad Homburg v. d. Höhe, Germany. The Company 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 specialty services as well as ambulatory surgery center services, physician nephrology practice management and ambulant treatment services.

In these unaudited notes, "FME AG," the "Company" or the "Group" refers to Fresenius Medical Care AG or Fresenius Medical Care AG 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 Board" refers to the members of the management board of the Company and "Supervisory Board" refers to the supervisory board of the Company. 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. For further discussion of the Company's operating and reportable segments, see note 12.

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 an AG (the Conversion). Upon effectiveness of the Conversion, which occurred upon registration of the Conversion with the competent commercial register on November 30, 2023, the Company's former general partner exited the Company, Fresenius SE ceased to control (as defined by IFRS 10, Consolidated Financial Statements) the Company and the Company ceased to be a member of the Fresenius SE consolidated group. Fresenius SE continues to have significant influence over the Company.

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 includes selected explanatory notes rather than all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in the format consistent with the consolidated financial statements as presented in our Annual Report 2023 in accordance with IAS 1, Presentation of Financial Statements.

Furthermore, the Company prepares interim consolidated financial statements in accordance with IFRS Accounting Standards 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 March 31, 2024 and for the three months ended March 31, 2024 and 2023 contained in this report are unaudited and should be read in conjunction with the consolidated financial statements as of December 31, 2023 in accordance with IFRS Accounting Standards, applying Section 315e HGB, contained in the Company's Annual Report 2023. 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 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 to provide a fair statement of the results of the periods presented. All such adjustments are of a normal recurring nature.

On February 21, 2024, one of the Company's third-party service providers was subject to a cyber-attack leading to the shutdown of its systems. As this third party provides the Company with a range of financial clearinghouse services, the cyber-attack on its systems led to certain impacts in the Company's consolidated financial statements as the Company was unable to apply cash received to its accounts receivable balances or raise claims with certain payors during the three months ended March 31, 2024. As a result, cash received, but not yet applied directly to customer accounts receivable in the amount of \$240,505 (€222,463) was recorded as a contra-accounts receivable

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Notes to the interim consolidated financial statements
(unaudited)
(in THOUS, except share and per share data)

balance. Additionally, trade accounts and other receivables from unrelated parties increased by approximately \$294,677 (€272,571) due to the aforementioned inability to raise claims. As this cyber-attack was pervasive within the health care industry, the U.S. Centers for Medicare & Medicaid Services (CMS) made certain advance payments to providers and suppliers experiencing claims disruptions related to the incident. The Company received \$175,214 (€162,070) in advance payments which are recorded as contract liabilities within the line item “Current provisions and other current liabilities.” Additionally, the third-party service provider agreed to provide an interest-free advance payment of \$56,907 (€52,638) to the Company which is required to be repaid shortly after payment processing commenced. Accordingly, this payment is recorded as “Other current financial liabilities” on the consolidated balance sheet as of March 31, 2024. As a result of the increases in trade accounts receivable and the liabilities noted above, the incident resulted in a decrease in cash and cash equivalents of \$62,841 (€58,127) as of March 31, 2024.

As noted in the Company’s Annual Report 2023 within note 2 of the notes to the consolidated financial statements, significant judgments and sources of estimation are applied, particularly in relation to revenue recognition, trade accounts and other receivables from unrelated parties and expected credit losses. The Company updated inputs used to estimate explicit and implicit price concessions as of March 31, 2024. Changes to inputs related to the Company’s increases in cash received, but not yet applied directly to customer accounts receivable as well as accounts receivable aged three months or less resulting from the third-party clearinghouse service outage are based on the best information available to the Company and did not result in a material change in the Company’s estimate of explicit and implicit price concessions. In the case of the third-party service provider noted above, the Company has engaged alternative options for clearinghouses in the short-term.

The Company applies IAS 29, Financial Reporting in Hyperinflationary Economies (IAS 29), in its 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 three months ended March 31, 2024. 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

	Lebanon	Turkiye
Date of IAS 29 initial application	December 31, 2020	June 30, 2022
Consumer price index	Central Administration of Statistics	Turkish Statistical Institute
Index at March 31, 2024	6,321.2	2,137.5
Calendar year increase	6%	15%
(Gain) loss on net monetary position in € THOUS	2	882

The effective tax rate of 25.0% for the three months ended March 31, 2024, respectively (25.0% for the three months ended March 31, 2023), is 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. Due to the size of the Company’s revenue, it is within the scope of the Organisation for Economic Co-operation and Development’s Inclusive Framework on Base Erosion Profit Shifting (BEPS) Global Anti-Base Erosion Model Rules (GloBE): Global Minimum Taxation (Pillar Two) legislation. The legislation was enacted in Germany on December 15, 2023, the jurisdiction in which the Company resides, and became effective on January 1, 2024. The Company applies the exception not to recognize or disclose deferred taxes in connection with Pillar Two income taxes. Income tax expenses related to Pillar Two income taxes are included within the income tax expense line item in the Company’s consolidated statements of profit or loss.

The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results of operations for the year ending December 31, 2024.

Goodwill as of March 31, 2024 was €14,675,530 (December 31, 2023: €14,650,008), thereof €12,571,036 (December 31, 2023: €12,573,423) in Care Delivery and €2,104,494 (December 31, 2023: €2,076,585) in Care Enablement.

In the first three months of 2024, the market capitalization of the Company decreased by 6% to €10,460,189 at March 31, 2024 (December 31, 2023: €11,137,975) and remains below total FME AG shareholders’ equity, which increased by 2% to €13,907,356 as of March 31, 2024 from €13,620,261 as of December 31, 2023.

Due to the carrying amount of net assets exceeding the Company’s market capitalization, a continued higher level of interest rates and ongoing uncertainties in the macroeconomic environment, the Company reviewed the impacts on the impairment test, which was performed as of December 31, 2023. Additionally, in 2023, a study on glucagon-like peptide 1 (GLP-1) receptor agonists, regarding its effectiveness in treating CKD experienced by diabetic patients was terminated early as a result of the study having met certain prespecified clinical endpoints. Although there is only limited available information currently, including high-level data published in 2024, the ability to delay CKD or ESRD

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Notes to the interim consolidated financial statements
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(in THOUS, except share and per share data)

progression and cardiovascular mortality improvements as a result of the use of these and other pharmaceuticals or treatment modalities could have an impact on our patient population in the future and was included as a consideration for our goodwill impairment test review. During the first quarter of 2024, the Company compared the carrying amounts of its group of CGUs, Care Delivery and Care Enablement, to the respective group of CGU's value in use, using the free cash flows of the group of CGUs considered in the impairment test as of December 31, 2023, and updated its free cash flow projections using the results of the latest available assessments. Cash flow projections were updated to reflect the impacts of divestitures and the classification of certain entities as held for sale during the first quarter as disclosed in note 2 as well as 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 March 31, 2024.

The following table shows the key assumptions of value-in-use calculations, which are presented based upon the goodwill impairment tests performed as of March 31, 2024 and December 31, 2023.

Key assumptions

in %

	Care Delivery		Care Enablement	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Average revenue growth in ten year projection period	mid-single-digit	mid-single-digit	mid-single-digit	mid-single-digit
Average operating income growth in ten year projection period	high-single-digit	high-single-digit	low-double-digit	low-double-digit
Residual value growth	1.00	1.00	1.00	1.00
Pre-tax WACC	10.78	10.53	9.07	8.41
After-tax WACC	8.32	8.09	7.34	6.54

For a detailed description of the impairment test procedure, see notes 1 g) and 2 a) of the consolidated financial statements contained in the Annual Report 2023. As of March 31, 2024, the impairment test procedure was performed on our operating segments (Care Delivery and Care Enablement). The assessment did not result in any indication of impairment as of March 31, 2024. Management continues to monitor the situation.

As of March 31, 2024, the recoverable amount of the Care Delivery group of CGUs exceeded the carrying amount by €4,918,691 (December 31, 2023: €4,740,257). For the Care Enablement group of CGUs, the recoverable amount exceeded the carrying amount by €3,454,949 (December 31, 2023: €3,285,391). The following table shows the reasonable amounts by which the key assumptions would need to change individually that the recoverable amount equals the carrying amount:

Sensitivity analysis⁽¹⁾

Change in percentage points	Care Delivery		Care Enablement	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Pre-tax WACC	2.17	2.10	2.28	2.27
After-tax WACC	1.64	1.60	1.69	1.66
Residual value growth	(7.49)	(7.26)	(5.42)	(5.57)
Operating income margin of each projection year	(2.47)	(2.35)	(3.03)	(3.02)

(1) The sensitivity analysis is based upon the goodwill impairment tests performed as of March 31, 2024 and December 31, 2023.

On May 7, 2024, the Management Board authorized the issuance of the Company's interim consolidated financial statements (unaudited).

New accounting pronouncements

Recently implemented accounting pronouncements

The Company has prepared its interim consolidated financial statements at and for the three months ended March 31, 2024 in conformity with IFRS Accounting Standards that have to be applied for the interim periods starting on or after January 1, 2024. In the three months ended March 31, 2024, there were no recently implemented accounting pronouncements that materially affect the business.

Recent accounting pronouncements not yet adopted

The IASB issued the following new standard which is relevant for the Company:

IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18). IFRS 18 aims to improve how information is communicated in financial statements to give investors a more comparable basis to analyze companies' performance. The standard introduces three sets of new requirements: new categories and

FRESENIUS MEDICAL CARE AG
Notes to the interim consolidated financial statements
(unaudited)
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subtotals in the consolidated statements of income, disclosure regarding management-defined performance measures and guidance related to the aggregation and disaggregation of certain information. The consolidated statements of income will be split into three newly defined categories (operating, investing and financing) and will include two newly defined subtotals (operating profit and profit before financing and income taxes). Management-defined performance measures are subtotals of income and expense used in public communication outside the financial statements and communicate management's view of certain aspects of a company's performance. Such measures are required to be described in a clear and understandable manner in a single note explaining how the measure is calculated, why it is useful, providing a reconciliation to the most directly comparable subtotal noted above, the income tax and non-controlling interest effect on each item and how the income tax effect was determined. Lastly, companies must disaggregate items if such information is material and avoid using the label "other" in financial statements. Certain additional details for depreciation and amortization, impairment and other expense classifications may be required. IFRS 18 is effective for fiscal periods commencing on or after January 1, 2027. Earlier adoption is permitted. The standard is expected to impact the Company's presentation of items within the consolidated financial statements and its notes disclosures once implemented, though the standard is not expected to change how the Company recognizes or measures items in its consolidated financial statements.

In the Company's view, no other pronouncements issued by the IASB are expected to have a material impact on the consolidated financial statements.

2. Disposal groups classified as held for sale

As of March 31, 2024, the Company's management committed to a plan to sell the following in connection with its Legacy Portfolio Optimization program (as defined below). Each business listed below is currently included in the Company's Care Delivery segment:

- the Company signed an agreement to sell 46 of its renal dialysis clinics in Sub-Saharan Africa to a South African hospital group, which were divested on April 1, 2024;
- the Company signed an agreement to sell its Cura Day Hospitals Group (Cura) in Australia to a global alternative asset manager and a consortium of health care professionals, which was divested on April 30, 2024; and
- the Company committed to sell its renal dialysis clinic facilities and/or networks in Guatemala, Curacao, Peru, Turkiye, Brazil, Colombia and Ecuador. On April 5, 2024, the Company divested its service business in Turkiye.

Transactions which remain open as of the date of this report are subject to regulatory approvals or certain other closing conditions, but are expected to be completed within a year from the date of classification as assets held for sale. Immediately before the classification of these disposals as held for sale, an impairment loss was recognized for the agreed-upon divestitures and is included in other operating expenses in the consolidated statements of income (see note 3 for further details). The carrying amounts of the assets in the disposal group for the proposed divestiture of facilities in Guatemala, Curacao, Peru, Turkiye (prior to its divestiture on April 5, 2024, as noted above), Brazil, Colombia and Ecuador are recognized at their fair value less costs to sell. The portion of the non-recurring fair value measurement attributable to the Company and its shareholders of €237,590 for this transaction is categorized as level 3 of the fair value hierarchy using the preliminary purchase price. The divestitures of the Company's clinic network in Sub-Saharan Africa and Cura did not result in an impairment loss and the assets are recorded at their carrying amount. As of March 31, 2024 and December 31, 2023, the following assets and liabilities were classified as held for sale:

Assets and liabilities of disposal groups classified as held for sale

in € THOUS

	March 31, 2024	December 31, 2023
Cash and cash equivalents	43,734	23,733
Trade accounts and other receivables from unrelated parties	194,876	27,535
Property, plant and equipment	80,768	42,710
Right-of-use assets	124,776	114,602
Goodwill ⁽¹⁾	396,976	274,543
Other	55,401	24,477
Assets held for sale	896,531	507,600
Accounts payable to unrelated parties	22,620	12,880
Lease liabilities	153,313	128,653
Provisions and other liabilities	94,398	39,091
Liability directly associated with assets held for sale	270,331	180,624

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

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As of March 31, 2024, the accumulated foreign currency translation losses recognized in other comprehensive income related to the disposal groups amounted to €150,518.

3. Notes to the consolidated statements of income

a) Revenue

The Company has adjusted the prior year financial information below in order to include additional contracts identified during the course of the year ended December 31, 2023 which were subject to certain disclosures in accordance with IFRS 17.

The Company has recognized the following revenue in the consolidated statements of income for the three months ended March 31, 2024 and 2023:

Revenue				
<i>in € THOUS</i>				
	Revenue from contracts with customers	Revenue from insurance contracts	Revenue from lease contracts	Total
For the three months ended March 31, 2024				
Health care services	3,365,334	382,930	—	3,748,264
Health care products	954,084	—	22,174	976,258
Total	4,319,418	382,930	22,174	4,724,522
For the three months ended March 31, 2023				
	Revenue from contracts with customers	Revenue from insurance contracts	Revenue from lease contracts	Total
Health care services	3,465,868	246,863	—	3,712,731
Health care products	976,569	—	14,918	991,487
Total	4,442,437	246,863	14,918	4,704,218

The following table contains a disaggregation of revenue by categories for the three months ended March 31, 2024 and 2023:

Disaggregation of revenue by categories		
<i>in € THOUS</i>		
	For the three months ended March 31,	
	2024	2023
Care Delivery		
US	3,101,758	3,002,715
International	686,396	752,832
Total ⁽¹⁾	3,788,154	3,755,547
Care Enablement		
Total (including inter-segment revenues) ⁽¹⁾	1,297,058	1,310,529
Inter-segment eliminations	(360,690)	(361,858)
Total Care Enablement revenue external customers	936,368	948,671
Total	4,724,522	4,704,218

(1) For further information on segment revenues, see note 12.

b) Selling, general and administrative expense

Selling, general and administrative expense recorded in the consolidated statements of income comprises both distribution costs as well as general and administrative expense. Distribution costs are generated in the selling, marketing and warehousing functions of the Company which are not attributable to production or research and development (R&D). General and administrative expense is generated in the administrative function of the Company's business and is not attributable to selling, production or R&D.

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The following table discloses the distribution costs as well as general and administrative expense recorded by the Company for the three month period March 31, 2024 and 2023:

Selling, general and administrative expense	For the three months ended	
	March 31,	
	2024	2023
<i>in € THOUS</i>		
Distribution costs	190,562	203,278
General and administrative expense	585,082	578,876
Selling, general and administrative expense	775,644	782,154

c) Research and development expenses

Research and development expenses of €47,801 for the three months ended March 31, 2024 (for the three months ended March 31, 2023: €55,760) included research and non-capitalizable development costs.

d) Other operating income and expense

The following table contains reconciliations of the amounts included in other operating income and expense for the three months ended March 31, 2024 and 2023:

Other operating income	For the three months	
	ended March 31,	
	2024	2023
<i>in € THOUS</i>		
Foreign exchange gains	61,676	72,140
Gains on right-of-use assets, from the sale of fixed assets, clinics and investments	3,144	13,625
Revaluation of certain investments	15,197	19,286
Income from strategic transactions and programs	3,106	—
Other	30,376	12,420
Other operating income	113,499	117,471

Other operating expense	For the three months	
	ended March 31,	
	2024	2023
<i>in € THOUS</i>		
Foreign exchange losses	70,415	84,403
Losses on right-of-use assets, from the sale of fixed assets, clinics and investments	2,064	10,539
Expenses from strategic transactions and programs	154,955	83,439
Other	19,101	16,895
Other operating expense	246,535	195,276

Included within the “expenses from strategic transactions and programs” line item in other operating expense are the proposed divestitures (including 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 2. Consistent with the Company’s policy to present impairment losses within other operating expense, such costs related to cost of revenues, selling, general and administrative expense or research and development expenses are 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 proposed divestitures identified in note 2, above, the cessation of a dialysis cyclor development program and the divestiture of the Company’s service business in Chile which occurred during the first quarter of 2024 (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 have historically been 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 months ended March 31, 2024 and 2023:

Expenses from strategic transactions and programs

in € THOUS

	For the three months ended March 31,	
	2024	2023
Derecognition of capitalized development costs and termination costs⁽¹⁾	—	59,113
Legacy Portfolio Optimization	—	59,113
Impairment of intangible and tangible assets⁽²⁾	1,047	24,326
Legacy Portfolio Optimization	—	24,326
FME25 Program	1,047	—
Impairment resulting from the measurement of assets held for sale	123,552	—
Legacy Portfolio Optimization	123,552	—
Loss from the sale of business	24,988	—
Legacy Portfolio Optimization	24,988	—
Other⁽³⁾	5,368	—
Legacy Portfolio Optimization	4,152	—
Legal Form Conversion Costs	1,216	—
Expenses from strategic transactions and programs	154,955	83,439

(1) Primarily R&D expense.

(2) For the three months ended March 31, 2024 and 2023, the amounts relate primarily to cost of revenues and R&D expense, respectively.

(3) Primarily selling, general and administrative expense.

For more information on the disposal groups classified as held for sale, see note 2.

e) 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 months ended March 31, 2024 and 2023:

Reconciliation of basic and diluted earnings per share

in € THOUS, except share and per share data

	For the three months ended March 31,	
	2024	2023
Numerator:		
Net income attributable to shareholders of FME AG	70,959	86,362
Denominators:		
Weighted average number of shares outstanding	293,413,449	293,413,449
Potentially dilutive shares	—	—
Basic earnings per share	0.24	0.29
Diluted earnings per share	0.24	0.29

4. Related party transactions

Fresenius SE is the Company's largest shareholder and owns 32.2% of the Company's outstanding shares at March 31, 2024. 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 with certain equity-method investees 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.

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a) Service agreements and products

Prior to the Conversion, the Company was 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 had a duration of 1 to 5 years and were renegotiated on an as needed basis when the respective agreement expired.

In connection with and subsequent to the Conversion, the Company entered into transition service agreements with Fresenius SE Companies to receive services, including, but not limited to: administrative and facility management services, employee benefit administration, insurance brokerage, information technology, intellectual property and certain treasury services. These related party agreements have generally been entered into for transitional periods of several months up to 2 years (in some cases with extension options). Additionally, the Company also entered into various service agreements with Fresenius SE Companies to provide services, including, but not limited to, fixed asset accounting services and IT and communications-related services for up to a year.

The Company provides administrative services to one of its equity method investees. The Company also sells products to Fresenius SE Companies and purchases products from Fresenius SE Companies and equity method investees. In connection with, and subsequent to, the Conversion, the Company entered into a limited amount of shared procurement contracts with Fresenius SE Companies for the purchase of products from third parties.

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.

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 three months ended March 31, 2024		For the three months ended March 31, 2023		March 31, 2024		December 31, 2023	
	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	—	5,289	35	8,067	1,472	395	10	1,778
Fresenius SE affiliates	155	23,616	1,942	14,558	2,512	8,514	589	14,299
Equity method investees ⁽²⁾	1,209	—	1,078	—	28,820	—	51,442	—
Total	1,364	28,905	3,055	22,625	32,804	8,909	52,041	16,077
Products								
Fresenius SE affiliates ⁽²⁾	18,772	6,643	18,335	6,492	17,443	5,474	23,535	9,585
Equity method investees ⁽²⁾	—	96,383	—	111,164	—	69,201	—	67,403
Total	18,772	103,026	18,335	117,656	17,443	74,675	23,535	76,988

(1) In addition to the above shown accounts payable, accrued expenses for service agreements with related parties amounted to €15,754 and €5,172 at March 31, 2024 and December 31, 2023, respectively.

(2) Sales of services and purchases of goods related to equity method investees for the three months ended March 31, 2023 in the amount of €6,539 and €23,873 as well as purchases of goods related to Fresenius SE affiliates for the three months ended March 31, 2023 in the amount of (€4,246) were adjusted to correct for an error in presentation. The adjustment does not have an impact on the Company's consolidated statements in income for the periods presented.

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.

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

Lease agreements with related parties

in € THOUS

	For the three months ended March 31, 2024			For the three months ended March 31, 2023			March 31, 2024		December 31, 2023	
	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	1,630	215	223	2,088	255	230	28,212	31,148	29,214
Fresenius SE affiliates	4,603	376	—	4,452	430	—	100,780	100,390	102,029	104,558
Total	6,233	591	223	6,540	685	230	128,992	131,538	131,243	133,575

(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

As of March 31, 2024 and December 31, 2023, the Company had outstanding accounts payable related to a cash pooling program with certain equity-method investees in the amount of €26,651 and €26,875, respectively. 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.

d) Key management personnel

Due to the Company's previous legal form of a German partnership limited by shares until the effectiveness of the Conversion, Fresenius Medical Care Management AG (Management AG), the Company's former general partner (General Partner), held a key management position within the Company. In addition, as key management personnel, members of the management board of Management AG and the Supervisory Board, as well as their close relatives, were considered related parties. Upon effectiveness of the Conversion, the General Partner exited the Company and is no longer 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 as set forth below). The members of the Supervisory Board and the newly established Management Board, as key management personnel, as well as their close relatives, are considered related parties of the Company. Also upon effectiveness of the Conversion, the existing service agreements between the General Partner and the members of the management board of Management AG were transferred to FME AG. The long-term incentive plans of Management AG applying to the former members of the management board of Management AG established before the Conversion were accordingly adopted by the Supervisory Board of FME AG as compensation plans of the Company. For further information regarding the Conversion, see note 1.

Prior to the Conversion, the Company's Articles of Association provided that the General Partner shall be reimbursed for any and all expenses in connection with the 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 of Management AG. The aggregate amount reimbursed to the General Partner was €7,675 for its management services during the three months ended March 31, 2023. As of March 31, 2024, the Company did not have accounts receivable from or accounts payable to the General Partner. As of December 31, 2023, the Company had accounts receivable from the General Partner in the amount of €89,723 and accounts payable to the General Partner in the amount of €3,141.

5. Insurance contracts

The following tables provide reconciliations of the Company's portfolios of insurance and reinsurance contracts, showing the change in insurance and reinsurance contract receivables (liabilities) as of March 31, 2024 and December 31, 2023. These receivables are recognized in the consolidated balance sheet within trade accounts and other receivables from unrelated parties.

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Reinsurance contract receivables and liabilities

in € THOUS

	2024			2023		
	Present value of future cash flows	Risk adjustment for non-financial risk	Total	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract receivables (liabilities) at the beginning of the period	53,137	(931)	52,206	23,925	(1,801)	22,124
Incurred claims and other directly attributable expenses	(169,404)	174	(169,230)	(166,161)	825	(165,336)
Changes that relate to past service – changes in the fulfillment cash-flows relating to LIC ⁽¹⁾	(18,517)	—	(18,517)	1,544	—	1,544
Claims and other directly attributable expenses paid	—	—	—	(387,949)	—	(387,949)
Premium revenue	179,913	—	179,913	583,269	—	583,269
Foreign currency translation and other changes	1,139	(20)	1,119	(1,491)	45	(1,446)
Reinsurance contract receivables (liabilities) at the end of the period	46,268	(777)	45,491	53,137	(931)	52,206

(1) Changes that relate to past service include premium revenue for past performance years of €568 and €9,038 as of March 31, 2024 and December 31, 2023, respectively.

Insurance contract receivables and liabilities

in € THOUS

	2024			2023		
	Present value of future cash flows	Risk adjustment for non-financial risk	Total	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract receivables (liabilities) at the beginning of the period	27,389	(553)	26,836	20,669	(254)	20,415
Incurred claims and other directly attributable expenses	(193,179)	84	(193,095)	(208,884)	(314)	(209,198)
Changes that relate to past service – changes in the fulfillment cash-flows relating to LIC ⁽¹⁾	(2,891)	—	(2,891)	(2,666)	—	(2,666)
Claims and other directly attributable expenses paid	—	—	—	(423,377)	—	(423,377)
Premium revenue	205,750	—	205,750	642,529	—	642,529
Foreign currency translation and other changes	648	(12)	636	(882)	15	(867)
Insurance contract receivables (liabilities) at the end of the period	37,717	(481)	37,236	27,389	(553)	26,836

(1) Changes that relate to past service include a reduction in premium revenue for past performance years of €3,303 and €7,696 as of March 31, 2024 and December 31, 2023, respectively.

6. Inventories

At March 31, 2024 and December 31, 2023, inventories consisted of the following:

Inventories

in € THOUS

	March 31, 2024	December 31, 2023
Finished goods	1,260,470	1,232,702
Health care supplies	437,373	451,316
Raw materials and purchased components	369,815	361,804
Work in process	148,743	133,353
Inventories	2,216,401	2,179,175

7. Short-term debt

At March 31, 2024 and December 31, 2023, short-term debt consisted of the following:

Short-term debt

in € THOUS

	March 31, 2024	December 31, 2023
Commercial paper program	85,580	399,078
Borrowings under lines of credit	23,544	57,754
Other	13	72
Short-term debt	109,137	456,904

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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 March 31, 2024 and December 31, 2023, cash and borrowings under lines of credit in the amount of €116,956 and €126,836, respectively, were offset under this cash pooling management system. Before this offset, cash and cash equivalents as of March 31, 2024 was €1,265,217 (December 31, 2023: €1,530,328) and short-term debt from unrelated parties was €226,093 (December 31, 2023: €583,740).

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 March 31, 2024, the outstanding commercial paper amounted to €86,000 (December 31, 2023: €400,000).

8. Long-term debt

As of March 31, 2024 and December 31, 2023, long-term debt consisted of the following:

Long-term debt	March 31,	December
<i>in € THOUS</i>	2024	31, 2023
Schuldschein loans	226,035	228,759
Bonds	6,773,647	6,676,465
Accounts Receivable Facility	301,921	22,857
Other	510,780	519,481
Long-term debt	7,812,383	7,447,562
Less current portion	(795,734)	(487,699)
Long-term debt, less current portion	7,016,649	6,959,863

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 March 31, 2024 and December 31, 2023:

Accounts Receivable Facility - maximum amount available and balance outstanding				
<i>in THOUS</i>				
	Maximum amount available⁽¹⁾		Balance outstanding⁽²⁾	
	March 31, 2024		March 31, 2024	
Accounts Receivable Facility	\$ 900,000	€ 832,485	\$ 325,000	€ 300,620
	Maximum amount available⁽¹⁾		Balance outstanding⁽²⁾	
	December 31, 2023		December 31, 2023	
Accounts Receivable Facility	\$ 900,000	€ 814,482	\$ 25,000	€ 22,624

(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 \$28,332 (€26,207 and €25,640) at March 31, 2024 and December 31, 2023, respectively. These letters of credit are not included above as part of the balance outstanding at March 31, 2024 and December 31, 2023. 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 March 31, 2024. 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.

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9. Capital management

As of March 31, 2024 and December 31, 2023 total equity in percent of total assets was 44.1% and 43.7%, respectively, and debt and lease liabilities (including amounts directly associated with assets held for sale) in percent of total assets was 35.5% and 35.9%, 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:

- costs related to our FME25 Program,
- the impact from the remeasurement of the Company's investment in Humacyte, Inc. and receivables related to a royalty stream that the Company is entitled to based on sales made by Humacyte, Inc. in the U.S.,
- the Legal Form Conversion Costs, 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 March 31, 2024, the net leverage ratio was 3.2 (December 31, 2023: 3.2) 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 2023.

The Company's financing structure and business model are reflected in its credit ratings. The Company is rated investment grade by Standard & Poor's, Moody's and Fitch.

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
Corporate credit rating	BBB-	Baa3	BBB-
Outlook	negative	negative	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.

10. 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. The Company's remedial actions included separation of those employees responsible for the above-mentioned conduct. 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 that included provisions for penalties and disgorgement, self-reporting obligations and retention of an independent compliance monitor whose certification of the Company's implementation of an effective anti-corruption compliance program was

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finalized in January 2023. The DOJ and SEC 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 certain legacy conduct with a potential nexus to Germany to the German prosecutor in the state of Hessen 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. In September 2023, the Hessen prosecutor opened independent disgorgement proceedings against a German subsidiary of the Company relating to the aforementioned conduct in West Africa.

Since 2012, the Company has made significant investments in its compliance and financial controls and in its compliance, legal and financial organizations and is continuing to further implement its compliance program in connection with the resolution with the DOJ and SEC. 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 Fresenius Medical Care Holdings, Inc. (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. The parties reached a settlement agreement in this matter and the litigation has been dismissed with prejudice.

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 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 (Flanagan). On December 5, 2022, the Massachusetts District Court granted FMCH's motion and dismissed the case with prejudice. Relator has filed an appeal.

On October 19, 2023, a subsidiary of the Company was served with a complaint alleging that an employee was terminated in retaliation for raising concerns similar to those raised in the Flanagan litigation. *Rowe v. Fresenius Medical Care Holdings, Inc., et al*, 3:23-cv-00331, United States District Court for the Eastern District of Tennessee. FMCH will defend itself in the litigation.

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 is 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. On October 3, 2023, the states of New York, New Jersey and Georgia filed a consolidated complaint-in-intervention. The United States's, the three 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

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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 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.

In February 2022, the Company received a formal request for information from the Hessen Data Protection Authority (Hessischerbeauftragter 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 improving 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 (SOX) and other anti-retaliation statutes, and a civil lawsuit in Suffolk County, 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.). On August 30, 2023, the OSHA investigator issued a finding that there is no reasonable cause to believe that the defendants/respondents violated SOX. The plaintiff/complainant has appealed this finding. In February 2024, the Company reached an agreement in principle to settle both the Massachusetts state court and OSHA proceedings, subject to the completion of definitive settlement documents. Subsequently, the parties executed a binding settlement agreement. Both the OSHA proceeding and the state court litigation have been dismissed with prejudice.

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 a 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.

Four plaintiffs have filed two actions for contestation and annulment (*Anfechtungs- und Nichtigkeitsklage*) against the resolution adopted at the EGM of the Company on July 14, 2023 approving the Conversion. Based on the motions filed by the plaintiffs, it is unclear whether one of these actions is also directed against the resolution of the EGM on the election of the members of the supervisory board of Fresenius Medical Care AG. Due to these actions for contestation and annulment, the Conversion could not immediately be registered with the commercial register and become effective. This block on registration was overcome by clearance rulings (*Freigabe*) of the competent court of appeal on October 25, 2023 and on November 28, 2023 which decided, on all points, in favor of the Company. Therefore, the Conversion could be registered with the commercial register and thereby became effective as of November 30, 2023. Irrespective of the clearance rulings and the effectiveness of the Conversion, the proceedings regarding the actions for contestation and annulment will continue. The proceedings regarding the actions for contestation and annulment may take one to several years until a ruling is rendered in the first instance, and another one to several years in the second instance for the court of appeal and in the third instance for the German Federal Supreme Court if such further appeal to the German Federal Supreme Court is permitted. The actions for contestation and annulment may also be settled at any time by reaching an agreement with the plaintiffs. However, the Conversion will not be reversed under these proceedings, even if one or more of such actions were to be successful. Instead, the plaintiff's remedies would be limited to damages which, in the Company's view, would likely have no meaningful value.

On April 5, 2024, Fresenius Medical Care Holdings, Inc. received two civil investigative demands (CIDs) from the U.S. Federal Trade Commission (FTC) indicating it was investigating whether FMCH, among others in the industry, has engaged in unfair or exclusionary conduct in violation of Section 5 of the FTC Act in the acquisition of Medical Director services or provision of dialysis services. The CIDs indicate they cover the period from January 1, 2016 to the present and generally request information related to FMCH's dialysis services, including information related to restrictive covenants such as non-competes with physicians. The Company is cooperating with the 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

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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 a pending FDA warning letter issued in 2011 and is awaiting confirmation as to whether the letter is now closed. FMCH has responded to a second warning letter issued in December 2023 and continues to update the FDA about continuing remediation efforts under that letter. 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. In Germany, where corporations are not subject to criminal law, management boards of companies must ensure business activities comply with the anti-corruption provisions of the criminal code, sections 331 et seq. (*Strafgesetzbuch*); breaches by individuals exercising commercial activity are subject to prosecution which can result in corporate fines and/or orders for the disgorgement of profit. 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 may be difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies and its business associates. The Company recognizes that the laws, regulations and interpretative guidance on data privacy are evolving along with potential litigation and enforcement risks, and it continues to review its processes to adapt to those changes. 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 is committed to compliance with applicable incident notification and/or information requirements and to take appropriate remedial and corrective action. Included within the Company's notification requirements are new SEC rules that, commencing in December 2023, require the Company to report the occurrence of material cybersecurity incidents in a report on Form 6-K. Any such report could trigger litigation arising out of the incident. In 2023, the Company publicly disclosed one information security breach in a Form 6-K furnished to the SEC. On September 29, 2023, Cardiovascular Consultants, Ltd. (CCL), a former subsidiary of the Company located in the U.S., became aware that some of its computer systems in the U.S. were affected by a security incident. Subsequently, Fresenius Vascular Care, Inc. d/b/a Azura Vascular Care (Azura), a wholly owned subsidiary of the Company located in the U.S., became aware that some of its files had been affected by the same security incident. There are three putative class action lawsuits pending in connection with this incident: one in Arizona state court against CCL and two in Pennsylvania federal court against Azura. Initially, there were four federal purported class action lawsuits filed against CCL in Arizona, but all four cases were voluntarily dismissed and consolidated with the pending state court case. The complaints allege that CCL and Azura breached various duties relating to the safeguarding of confidential patient information and seek injunctive relief requiring that CCL and Azura implement various data protection processes and unspecified monetary damages. None of the actions has received class certification. Under the agreement for the sale of CCL, the Company retains responsibility for defending against these cases.

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 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.

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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 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 very low end of triple-digit millions. 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 \$938,228 (€867,842). As of March 31, 2024, 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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11. Financial instruments

The following tables show the carrying amounts and fair values of the Company's financial instruments at March 31, 2024 and December 31, 2023:

Carrying amount and fair value of financial instruments

in € THOUS

March 31, 2024	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	969,823	178,438	—	—	1,148,261	178,438	—	—
Trade accounts and other receivables from unrelated parties	3,919,126	—	—	80,663	3,999,789	—	—	—
Accounts receivable from related parties	50,247	—	—	—	50,247	—	—	—
Derivatives - cash flow hedging instruments	—	—	—	2,097	2,097	—	2,097	—
Derivatives - not designated as hedging instruments	—	17,028	—	—	17,028	—	17,028	—
Equity investments	—	89,655	66,971	—	156,626	54,026	68,152	34,448
Debt securities	—	86,891	326,674	—	413,565	413,565	—	—
Other financial assets ⁽¹⁾	142,316	102,225	—	105,804	350,345	—	—	102,225
Other current and non-current assets	142,316	295,799	393,645	107,901	939,661	—	—	—
Financial assets	5,081,512	474,237	393,645	188,564	6,137,958	—	—	—
Accounts payable to unrelated parties	725,178	—	—	—	725,178	—	—	—
Accounts payable to related parties	110,235	—	—	—	110,235	—	—	—
Short-term debt	109,137	—	—	—	109,137	—	—	—
Long-term debt	7,812,383	—	—	—	7,812,383	6,072,896	1,038,222	—
Lease liabilities	—	—	—	4,109,146	4,109,146	—	—	—
Derivatives - cash flow hedging instruments	—	—	—	4,058	4,058	—	4,058	—
Derivatives - not designated as hedging instruments	—	15,806	—	—	15,806	—	15,806	—
Variable payments outstanding for acquisitions	—	16,705	—	—	16,705	—	—	16,705
Put option liabilities	—	—	—	1,367,243	1,367,243	—	—	1,367,243
Other financial liabilities ⁽²⁾	999,699	—	—	—	999,699	—	—	—
Other current and non-current liabilities	999,699	32,511	—	1,371,301	2,403,511	—	—	—
Financial liabilities	9,756,632	32,511	—	5,480,447	15,269,590	—	—	—

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Carrying amount and fair value of financial instruments

in € THOUS

December 31, 2023

	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	1,205,030	198,462	—	—	1,403,492	198,462	—	—
Trade accounts and other receivables from unrelated parties	3,389,314	—	—	81,899	3,471,213	—	—	—
Accounts receivable from related parties	165,299	—	—	—	165,299	—	—	—
Derivatives - cash flow hedging instruments	—	—	—	1,990	1,990	—	1,990	—
Derivatives - not designated as hedging instruments	—	20,295	—	—	20,295	—	20,295	—
Equity investments	—	82,072	71,110	—	153,182	48,888	72,292	32,002
Debt securities	—	80,145	341,074	—	421,219	421,219	—	—
Other financial assets ⁽¹⁾	146,748	—	—	112,322	259,070	—	—	—
Other current and non-current assets	146,748	182,512	412,184	114,312	855,756	—	—	—
Financial assets	4,906,391	380,974	412,184	196,211	5,895,760	—	—	—
Accounts payable to unrelated parties	762,068	—	—	—	762,068	—	—	—
Accounts payable to related parties	123,081	—	—	—	123,081	—	—	—
Short-term debt	456,904	—	—	—	456,904	—	—	—
Long-term debt	7,447,562	—	—	—	7,447,562	5,972,767	767,328	—
Lease liabilities	—	—	—	4,145,946	4,145,946	—	—	—
Derivatives - cash flow hedging instruments	—	—	—	4,315	4,315	—	4,315	—
Derivatives - not designated as hedging instruments	—	4,890	—	—	4,890	—	4,890	—
Variable payments outstanding for acquisitions	—	35,751	—	—	35,751	—	—	35,751
Put option liabilities	—	—	—	1,372,008	1,372,008	—	—	1,372,008
Other financial liabilities ⁽²⁾	974,252	—	—	—	974,252	—	—	—
Other current and non-current liabilities	974,252	40,641	—	1,376,323	2,391,216	—	—	—
Financial liabilities	9,763,867	40,641	—	5,522,269	15,326,777	—	—	—

(1) As of March 31, 2024 and December 31, 2023 other financial assets primarily include lease receivables, deposits, guarantees, securities, receivables from sale of investments, vendor and supplier rebates as well as notes receivable. Additionally, in 2024, other financial assets include receivables for royalty payments from one of the Company's equity investments.

(2) As of March 31, 2024 and December 31, 2023, 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 March 31, 2024 or December 31, 2023. 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 management. 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 other comprehensive income. 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, where applicable) of 10% compared to the actual estimation as of the balance sheet date. The corresponding increase in fair value of €99,149 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, where applicable) 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 March 31, 2024 and December 31, 2023:

Reconciliation from beginning to ending balance of level 3 financial instruments

in € THOUS

	2024				2023		
	Equity investments	Variable payments outstanding for acquisitions	Put option liabilities	Receivables from licensing agreements	Equity investments	Variable payments outstanding for acquisitions	Put option liabilities
Beginning balance at January 1,	32,002	35,751	1,372,008	—	42,793	37,846	1,468,517
Increase	814	24	195	—	4,833	5,232	31,050
Decrease	—	(18,558)	(1,711)	—	—	(3,603)	(42,490)
Reclassifications	—	—	—	90,457 ⁽¹⁾	—	—	—
Gain / loss recognized in profit or loss ⁽²⁾	916	(754)	—	9,726	(14,340)	(3,366)	—
Gain / loss recognized in equity	—	—	(32,967)	—	—	—	(28,034)
Foreign currency translation and other changes	716	242	29,718	2,042	(1,284)	(358)	(57,035)
Ending balance at March 31, and December 31,	<u>34,448</u>	<u>16,705</u>	<u>1,367,243</u>	<u>102,225</u>	<u>32,002</u>	<u>35,751</u>	<u>1,372,008</u>

(1) Receivables for royalty payments from one of the Company's equity investments were previously recorded as a non-financial asset and were revised as of March 31, 2024.

(2) Includes realized and unrealized gains / losses.

12. Segment and corporate information

The Company's 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 R&D, 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 chronic kidney disease, 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., 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.

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Information pertaining to the Company's segment and Corporate activities for the three months ended March 31, 2024 and 2023 is set forth below:

Segment and corporate information

in € THOUS

	Care Delivery	Care Enablement	Total Segment	Inter-segment eliminations	Corporate	Total
Three months ended March 31, 2024						
Revenue from health care services ⁽¹⁾	3,365,334	—	3,365,334	—	—	3,365,334
Revenue from health care products ⁽¹⁾	39,890	914,194	954,084	—	—	954,084
Revenue from contracts with customers ⁽¹⁾	3,405,224	914,194	4,319,418	—	—	4,319,418
Revenue from insurance contracts ⁽¹⁾	382,930	—	382,930	—	—	382,930
Revenue from lease contracts ⁽¹⁾	—	22,174	22,174	—	—	22,174
Revenue from external customers	3,788,154	936,368	4,724,522	—	—	4,724,522
Inter-segment revenue	—	360,690	360,690	(360,690)	—	—
Revenue	3,788,154	1,297,058	5,085,212	(360,690)	—	4,724,522
Operating income (loss)	188,549	70,215	258,764	838	(13,589)	246,013
Interest						(88,187)
Income before income taxes						157,826
Depreciation and amortization	(264,654)	(115,365)	(380,019)	10,332	(18,048)	(387,735)
Impairment loss	(123,661)	(1,047)	(124,708)	—	—	(124,708)
Income (loss) from equity method investees	28,843	—	28,843	—	—	28,843
Total assets ⁽¹⁾	44,033,238	13,640,881	57,674,119	(34,533,212)	11,195,192	34,336,099
thereof investment in equity method investees ⁽¹⁾	615,755	—	615,755	—	—	615,755
Additions of property, plant and equipment, intangible assets and right-of-use assets ⁽¹⁾	188,950	85,846	274,796	(10,178)	20,420	285,038
Three months ended March 31, 2023						
Revenue from health care services ⁽¹⁾	3,465,868	—	3,465,868	—	—	3,465,868
Revenue from health care products ⁽¹⁾	42,816	933,753	976,569	—	—	976,569
Revenue from contracts with customers ⁽¹⁾	3,508,684	933,753	4,442,437	—	—	4,442,437
Revenue from insurance contracts ⁽¹⁾	246,863	—	246,863	—	—	246,863
Revenue from lease contracts ⁽¹⁾	—	14,918	14,918	—	—	14,918
Revenue from external customers	3,755,547	948,671	4,704,218	—	—	4,704,218
Inter-segment revenue	—	361,858	361,858	(361,858)	—	—
Revenue	3,755,547	1,310,529	5,066,076	(361,858)	—	4,704,218
Operating income (loss)	284,485	(24,475)	260,010	(9,252)	10,179	260,937
Interest						(82,572)
Income before income taxes						178,365
Depreciation and amortization	(288,229)	(115,035)	(403,264)	9,716	(18,057)	(411,605)
Impairment loss	(1,916)	(24,293)	(26,209)	—	—	(26,209)
Income (loss) from equity method investees	26,101	1,413	27,514	—	—	27,514
Total assets ⁽¹⁾	40,048,443	14,645,444	54,693,887	(27,595,235)	8,401,863	35,500,515
thereof investment in equity method investees ⁽¹⁾	463,839	334,186	798,025	—	—	798,025
Additions of property, plant and equipment, intangible assets and right-of-use assets ⁽¹⁾	188,486	109,289	297,775	—	12,812	310,587

(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. Additionally, the Company has adjusted the prior period financial information in order to include additional contracts identified during the course of the year ended December 31, 2023 which were subject to certain disclosures in accordance with IFRS 17.

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13. Events occurring after the balance sheet date

In April 2024, the Company signed several virtual power purchase agreements (vPPAs) with wind and solar energy project developers in Germany and in the U.S. with terms of up to 15 years. The German vPPA contracts have been signed with two developers for a total expected annual electricity production of 124 GWh which is equivalent to around 75% of the Company's current electricity consumption in the European Union. The U.S. vPPA contract has been concluded with one developer and the forecasted annual electricity production amounts to 458 GWh/ year which corresponds to around 60% of the Company's current electricity consumption in the U.S. The wind and solar parks are scheduled to become operational in 2024 and 2025. All contracts are designed as non-deliverable for the electricity produced and provide for the delivery of energy attribute certificates, commonly known in the U.S. and Germany as renewable energy certificates and guarantees of origin, respectively. All contracts are analyzed as physical host contracts to purchase the certificates and separable embedded electricity swaps to pay a fixed price for the electricity produced and to receive a variable spot energy price in the respective regions. The host contracts fulfill the "own-use" criteria in accordance with IFRS 9, Financial Instruments (IFRS 9). The derivatives embedded in the vPPAs are recognized separately at fair value through profit or loss. Due to the volatile nature of such instruments which may be considered to be speculative, it is difficult to accurately predict what impact the volatility of unobservable inputs, such as changes in expected energy prices or production volumes, may have on the valuation of such instruments in the future. The estimated fair values of these derivative instruments may fluctuate significantly from quarter to quarter, and the price at which these derivatives may ultimately be settled could vary significantly from the Company's current estimates depending upon market conditions.

No other significant events have taken place subsequent to the balance sheet date March 31, 2024 that have a material impact on the key figures and earnings presented. Other than the announcement made by the Company on March 13, 2024 regarding the appointment of Jörg Häring as a new member of the Management Board responsible for Legal, Compliance and Human Resources and as Labor Relations Director, each as of June 1, 2024, currently there are no significant changes in the Company's structure, management, legal form or personnel.


Review report


The interim consolidated financial statements as of and for the period ended March 31, 2024 and the interim management report for the three months ended March 31, 2024 were not audited nor reviewed.

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