FRESENIUS MEDICAL CARE

Press Release

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July 27th, 2022

Fresenius Medical Care cuts outlook for FY 2022 due to increased headwinds from U.S. labor market and global inflation, and withdraws 2025 targets

- Outlook:
  - Revised FY 2022 targets: revenue to grow at the low end of the previously guided low to mid-single digit percentage range and net income to decline around a high teens percentage range.
  - Despite most burdens assumed to be temporary, 2025 targets withdrawn due to uncertainty of labor and macro-economic inflationary environment
- Unprecedented U.S. labor market situation constraining capacity and accelerating wage inflation
- Worsening macroeconomic environment driving cost inflation and supply chain disruptions
- FME25: Transformation to new operating model and savings generation on track
- Start date for Dr. Carla Kriwet as CEO advanced to October 1, 2022

Helen Giza, Deputy CEO and Chief Financial Officer of Fresenius Medical Care, said: *"At the end of the first quarter we assumed extended labor shortages but clearly did not expect such a significant and rapid deterioration. Increased staff shortages, higher staff turnover rates and growing reliance on contract labor continue to increase our cost base, despite support received from the U.S. Provider Relief Fund. At the same time, these factors are* *constraining our capacity and hence our ability to deliver the volume recovery in Health Care Services that we had assumed for the back half of the year. The already challenging macroeconomic environment has significantly deteriorated – driving non-wage cost inflation and supply chain disruptions. Today we have to assume that these effects will have a very pronounced impact on our business development in the remainder of 2022. Even though most of the current burdens are assumed to be temporary, the uncertainty of these effects is widening the gap to our targets and making a potential catch-up unlikely. As a consequence, we have cut our financial targets for the fiscal year 2022 and feel it prudent to withdraw our 2025 targets. We continue to assess opportunities to accelerate and broaden our FME25 transformation program. We strongly believe our business model and the underlying growth drivers to be intact. Our strategy to drive growth in home dialysis and value-based care is more relevant than ever."*

Preliminary Key figures (IFRS, unaudited)

	Q2 2022 EUR m	Q2 2021 EUR m	Growth yoy	Growth yoy, cc	H1 2022 EUR m	H1 2021 EUR m	Growth yoy	Growth yoy, cc
Revenue	**4,757**	**4,320**	**+10%**	**+1%**	**9,305**	**8,530**	**+9%**	**+2%**
Operating income	**341**	**424**	**-20%**	**-27%**	**688**	**898**	**-23%**	**-29%**
excl. special items[1]	445	433	+3%	-6%	852	910	-6%	-13%
Net income[2]	**147**	**219**	**-33%**	**-39%**	**305**	**468**	**-35%**	**-39%**
excl. special items[1]	225	225	0%	-7%	428	476	-10%	-15%
Basic EPS (EUR)	**0.50**	**0.75**	**-33%**	**-39%**	**1.04**	**1.60**	**-35%**	**-39%**
excl. special items[1]	0.77	0.77	0%	-7%	1.46	1.62	-10%	-15%

yoy = year-on-year, cc = at constant currency, EPS = earnings per share

Fresenius Medical Care, the world's leading provider of products and services for individuals with kidney diseases, has announced that revenue and net income[2] for the second quarter of 2022 are anticipated to come in below the Company's expectations. Based on preliminary figures and at constant currency, Fresenius Medical Care expects revenue to

[1] Special items include costs related to the FME25 program, the impact of the War in Ukraine, the impact of hyperinflation in Turkiye, the remeasurement effect on the fair value of the investment in Humacyte, Inc. (Humacyte investment remeasurement) and other effects that are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance. These items are excluded to ensure comparability of the figures presented with the Company's financial targets which have been defined excluding special items.

[2] Attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

increase year-on-year by 1%. For net income excluding special items[3] and at constant currency the Company expects a decrease by 7% compared to the previous year's quarter. Against the background of these preliminary results as well as the significantly changed developments and corresponding materially worsened assumptions for the remainder of the year outlined below, Fresenius Medical Care has cut its financial targets for FY 2022 and withdrawn its 2025 targets.

Increased headwinds from labor and inflation

The unprecedented U.S. labor market challenges materially worsened in the second quarter. For Fresenius Medical Care, this resulted in meaningfully higher than assumed wage inflation, surcharges, retention payments and additional costs for contract labor to contain the increasing staff shortages.

Despite these additional investments in labor, including application of monies received from the U.S. government's Provider Relief Fund, staff shortages and turnover rates have continued to increase. The Company's growth in the second quarter was affected by the number of clinics with constrained ability to accept new patients for treatment. Assuming that the unprecedented pressures from the U.S. labor market will persist in the second half of the year, Fresenius Medical Care no longer expects to achieve organic revenue growth in North American Health Care Services in 2022.

The already existing challenging macroeconomic environment has further significantly deteriorated in the second quarter, driving accelerated non-wage cost inflation. This has been exacerbated by the ongoing war in Ukraine and its global economic impact. These effects are expected to persist for the remainder of the year, resulting in higher logistics costs, raw material and energy prices as well as further supply chain disruptions.

Based on preliminary figures, COVID-19-related excess mortality in the second quarter sequentially declined in line with the Company's projections. However, infection rates remained on a high level resulting in a continued need and costs for isolation clinics and shifts as well as a higher than assumed spend for personal protective equipment.

In the second quarter, revenue in the Healthcare Services business was negatively impacted by meaningful yet unforeseen declines in co-insurance, increases in patient

[3] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA | 2021 and 2022 figures exclude special items (2021: Costs related to the FME25 program; 2022: Costs related to the FME25 program, impact of the War in Ukraine, impact of Hyperinflation in Turkiye, Humacyte investment remeasurement

choice of higher deductibles plans, and lower than expected collections in aged accounts receivable.

Revised financial targets for FY 2022

Given the significantly increased headwinds outlined above, Fresenius Medical Care now expects revenue to grow at the low end of the previously guided low to mid-single digit percentage range. For net income[2] the Company now expects a decline of around a high teens percentage range compared to the previously guided growth of a low to mid-single digit percentage range. Revenue and net income guidance are both on a constant currency basis and before special items.[4]

These targets are based on the following operating income relevant assumptions:

- Macro-economic inflation and supply chain costs of around EUR 220 million instead of EUR 50 million previously assumed
- COVID-19: Impact of accumulated excess mortality of around EUR 100 million
- U.S. labor costs expected to be around EUR 100 million, net of support from U.S. Provider Relief Fund, in excess of the 3% base wage inflation assumption
- U.S. ballot initiative expense of EUR 20 to 30 million
- Business growth of EUR 70 million instead of EUR 250 million previously assumed
- Personal protective equipment cost reduction to be around EUR 20 million instead of EUR 50 million previously assumed
- FME25 savings of EUR 40 to 70 million
- Remeasurement effects on the fair value of investments are expected to be volatile but neutral on a full year basis; for guidance relevant comparison, the Humacyte investment remeasurement is treated as special item
- No meaningful further impact from natural gas shortages or suspension of gas supply to affect manufacturing sites

Most of the unprecedented challenges outlined above are assumed to be temporary. However, given the uncertain labor situation and macro-economic inflationary environment and the substantially reduced earnings base compared to 2020, Fresenius Medical Care does not expect today to be able to achieve the meaningfully higher compounded annual

[4] These targets are based on the 2021 results excluding the costs related to FME25 of EUR 49 million (for Net Income). They are in constant currency and exclude special items. Special items include further costs related to FME25, the impact of the War in Ukraine, the impact of Hyperinflation in Turkiye, the Humacyte investment remeasurement and other effects that are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance.

average increases that would now be needed to accomplish its 2025 targets. Fresenius Medical Care remains committed to its growth strategy and will consistently pursue the initiatives defined therein.

Preliminary consolidated figures

Revenue increased by 10% to EUR 4,757 million (+1% at constant currency, +0% organic) in the second quarter.

Health Care Services revenue grew by 11% to EUR 3,782 million (+1% at constant currency, +0% organic). Growth at constant currency was mainly driven by contributions from acquisitions.

Health Care Products revenue increased by 6% to EUR 975 million (+1% at constant currency, +1% organic). Constant currency growth was mainly driven by higher sales of in-center disposables, partially offset by lower sales of acute cardiopulmonary products.

In the first half, revenue grew by 9% to EUR 9,305 million (+2% at constant currency, +1% organic). Health Care Services revenue increased by 10% to EUR 7,389 million (+2% at constant currency, +1% organic); Health Care Products revenue grew by 6% to EUR 1,916 million (+2% at constant currency, +2% organic).

Operating income decreased by 20% to EUR 341 million (-27% at constant currency) in the second quarter, resulting in a margin of 7.2% (Q2 2021: 9.8%). Operating income excluding special items, i.e. costs incurred for FME25, the impacts related to the war in Ukraine, the impact of hyperinflation in Turkiye, and the remeasurement effect on the fair value of the investment in Humacyte, Inc. (Humacyte investment remeasurement), increased by 3% to EUR 445 million (-6% at constant currency), resulting in a margin of 9.4% (Q2 2021: 10.0%). At constant currency, the decline was mainly due to higher labor costs as well as inflationary and supply chain cost increases. This was partially offset by Provider Relief Funding received from the U.S. government to compensate for certain COVID-19-related costs.

In the first half, operating income declined by 23% to EUR 688 million (-29% at constant currency), resulting in a margin of 7.4% (H1 2021: 10.5%). Excluding special items, operating income decreased by 6% to EUR 852 million (-13% at constant currency), resulting in a margin of 9.2% (H1 2021: 10.7%).

Net income[2] decreased by 33% to EUR 147 million (-39% at constant currency). Excluding special items, net income[2] was stable and amounted to EUR 225 million (-7% at constant currency). At constant currency, the decline was mainly due to the mentioned negative effects on operating income. **Basic earnings per share (EPS)** decreased by

33% to EUR 0.50 (-39% at constant currency). Excluding special items, EPS was stable and amounted to EUR 0.77 (-7% at constant currency).

In the first half, net income[2] declined by 35% to EUR 305 million (-39% at constant currency). Excluding special items, net income[2] decreased by 10% to EUR 428 million (-15% at constant currency). EPS decreased by 35% to EUR 1.04 (-39% at constant currency). Excluding special items, EPS declined by 10% to EUR 1.46 (-15% at constant currency).

Regional developments[5]

In **North America**, revenue increased by 12% to EUR 3,294 million (-1% at constant currency, -2% organic) in the second quarter. At constant currency, this was mainly due to a decline in organic growth – which was driven by COVID-19 as well as by declines in co-insurance, increases in patient choice of higher deductibles plans, and lower than expected collections in aged accounts receivable in the Health Care Services business – and due to lower sales of in-center disposables, machines for chronic treatment, renal pharmaceuticals and home hemodialysis products. These effects were only partially offset by contributions from acquisitions. In the first half, revenue grew by 10% to EUR 6,464 million (+0% at constant currency, -1% organic).

Operating income in North America decreased by 14% to EUR 340 million (-24% at constant currency) in the second quarter, resulting in a margin of 10.3% (Q2 2021: 13.5%). At constant currency, the decline in operating income was mainly due to higher labor costs, the Humacyte investment remeasurement, declines in co-insurance, increases in patient choice of higher deductibles plans, and lower than expected collections in aged accounts receivable, the impact of COVID-19, as well as inflationary and supply chain costs. This was partially offset by provider relief funding received from the U.S. government to compensate for certain COVID-19-related costs. In the first half, operating income declined by 19% to EUR 644 million (-26% at constant currency), resulting in a margin of 10.0% (H1 2021: 13.6%).

Revenue in the **EMEA** region increased by 5% to EUR 727 million in the second quarter (+7% at constant currency, +6% organic). At constant currency, this was mainly due to organic growth in Health Care Services and Health Care Products, both including the effects of hyperinflation in Turkiye. Growth in Health Care Products was driven by higher sales of in-center disposables, machines for chronic treatment and renal pharmaceuticals, partially

[5] Based on preliminary figures

offset by lower sales of acute cardiopulmonary products. In the first half, revenue grew by 3% to EUR 1,401 million (+5% at constant currency, +4% organic).

Operating income in EMEA decreased by 19% to EUR 60 million (-18% at constant currency) in the second quarter, resulting in a margin of 8.2% (Q2 2021: 10.6%). At constant currency, the decline in operating income was mainly due to inflationary cost increases, the impact of hyperinflation in Turkiye and costs associated with the FME25 program, partially offset by favorable currency transaction effects. In the first half, operating income declined by 21% to EUR 121 million (-18% at constant currency), resulting in a margin of 8.6% (H1 2021: 11.2%).

In **Asia-Pacific**, revenue increased by 6% to EUR 516 million (+2% at constant currency, +2% organic) in the second quarter. At constant currency, this was mainly driven by organic growth in the Health Care Services business. In the first half, revenue increased by 7% to EUR 1,023 million (+3% at constant currency, +3% organic).

Operating income decreased by 16% to EUR 71 million (-16% at constant currency) in the second quarter, resulting in a margin of 13.8% (Q2 2021: 17.3%). At constant currency, the decline in operating income was mainly due to an unfavorable impact from growth in lower margin businesses and inflationary cost increases. In the first half, operating income was stable and amounted to EUR 170 million (-1% at constant currency), resulting in a margin of 16.6% (H1 2021: 17.7%).

Latin America revenue increased by 21% to EUR 207 million (+17% at constant currency, +18% organic) in the second quarter, mainly driven by organic growth in the Health Care Services business, as well as higher sales of in-center disposables and machines for chronic treatment. In the first half, revenue grew by 18% to EUR 391 million (+16% at constant currency, +17% organic).

Operating income decreased to EUR -6 million in the second quarter, resulting in a margin of -3.0% (Q2 2021: 1.5%). At constant currency, the decline in operating income was mainly due to inflationary cost increases and unfavorable foreign currency transaction effects, partially offset by lower bad debt expense. In the first half, operating income decreased by 46% to EUR 5 million (-71% at constant currency), resulting in a margin of 1.3% (H1 2021: 2.8%).

Patients, clinics and employees[5]

As of June 30, 2022, Fresenius Medical Care treated 345,687 **patients** in 4,163 dialysis **clinics** worldwide and had 123,153 **employees** (full-time equivalents) globally, compared to 123,538 employees as of June 30, 2021.

FME25 update

With savings of EUR 26 million in the first half of the year, Fresenius Medical Care is on track to achieve its savings target of EUR 40-70 million in 2022 as part of the FME25 transformation program. Key achievements in the first half of the year include the announcement of the first two leadership levels below the Management Board and the corresponding organizational structure as well as the finalization of country governance in line with the future operating model. The Company has also made significant progress in the transformation of global functions such as Finance, Digital Technology & Innovation as well as Procurement. In addition to the ongoing and already identified FME25 measures, Fresenius Medical Care is currently in the process of reviewing potential additional initiatives in both designated operating segments (Care Delivery and Care Enablement) as part of the transformation program.

New CEO start advanced

The start of Dr. Carla Kriwet as CEO of Fresenius Medical Care has been advanced to October 1, 2022. Rice Powell will step down as CEO effective September 30, 2022.

Conference call

Fresenius Medical Care will host a conference call on July 28, 2022 at 9:00 a.m. CEST to discuss the preliminary results for the second quarter and first half of 2022. This conference call will replace the earnings call originally scheduled for August 2, 2022. Details will be available on www.freseniusmedicalcare.com in the "Investors/Publications" section. A replay will be available shortly after the call. The Company will publish its full results for the second quarter and first half of 2022 on August 2, 2022.

Fresenius Medical Care is the world's leading provider of products and services for individuals with renal diseases of which around 3.8 million patients worldwide regularly undergo dialysis treatment. Through its network of 4,163 dialysis clinics, Fresenius Medical Care provides dialysis treatments for approximately 346,000 patients around the globe. Fresenius Medical Care is also the leading provider of dialysis products such as dialysis machines or dialyzers. Along with its core business, the Renal Care Continuum, the Company focuses on expanding in complementary areas and in the field of critical care. Fresenius Medical Care is listed on the Frankfurt Stock Exchange (FME) and on the New York Stock Exchange (FMS).

For more information visit the Company's website at www.freseniusmedicalcare.com.

Disclaimer:

This release contains forward-looking statements that are subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to various factors, including, but not limited to, changes in business, economic and competitive conditions, legal changes, regulatory approvals, impacts related to COVID-19, results of clinical studies, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. These and other risks and uncertainties are detailed in Fresenius Medical Care AG & Co. KGaA's reports filed with the U.S. Securities and Exchange Commission. Fresenius Medical Care AG & Co. KGaA does not undertake any responsibility to update the forward-looking statements in this release.

Implementation of measures as presented herein may be subject to information and consultation procedures with works councils and other employee representative bodies, as per local laws and practice. Consultation procedures may lead to changes on proposed measures.