

TRANSCRIPT

FY 2021 Preliminary Indications Management Call

February 3, 2021

Representing Fresenius Medical Care:

Rice Powell, Chief Executive Officer

Franklin W. Maddux, Global Chief Medical Officer

Helen Giza, Chief Financial Officer

A replay of the presentation is available [HERE](#)

The spoken word shall prevail

PRESENTATION FEBRUARY 3, 2021

Rice Powell - CEO

Franklin W. Maddux - CMO

Helen Giza - CFO



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Dr Dominik Heger, Head of Investor Relations, Strategic Development & Communications

We would like to welcome all of you to a presentation on our early indication for 2021. We appreciate you joining today!

As always, I have to start out the call by mentioning our cautionary language, that is in our safe harbor statement, as well as in our presentation and in all the materials that we have distributed on Monday. For further details concerning risks and uncertainties, please refer to these documents as well as to our SEC filings.

Safe harbor statement: This presentation includes certain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Act of 1934, as amended. Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy or might not even be anticipated. The Company has based these forward-looking statements on current estimates and assumptions which we believe are reasonable and which are made to the best of our knowledge. Actual results could differ materially from those included in the forward-looking statements due to various risk factors and uncertainties, including changes in business, economic or competitive conditions, changes in reimbursement, regulatory compliance issues, regulatory reforms, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, cyber security issues and the availability of financing. Given these uncertainties, readers should not put undue reliance on any forward-looking statements. These and other risks and uncertainties are discussed in detail in Fresenius Medical Care AG & Co. KGaA's (FMC AG & Co. KGaA) Annual Report on Form 20-F under the heading "Forward-Looking Statements" and under the headings in that report referred to therein, and in FMC AG & Co. KGaA's other reports filed with the Securities and Exchange Commission (SEC) and the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse).

Forward-looking statements represent estimates and assumptions only as of the date that they were made. The information contained in this presentation is subject to change without notice and the company does not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, except to the extent required by applicable law and regulations.

If not mentioned differently the term net income after minorities refers to the net income attributable to the shareholders of Fresenius Medical Care AG Co. KGaA. The term EMEA refers to the region Europe, Middle East and Africa. Amounts are in Euro if not mentioned otherwise.



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With us today is Rice Powell, our CEO and Chairman of the Management Board. Rice will give you a rough update on the business development for 2020 and the reasons around our Monday announcement.

Also with us today is Frank Maddux, our Global Chief Medical Officer, who will give you some insights on the process our Global Medical Offices uses for projections in respect to the excess mortality.

Of course, also with us is Helen Giza, our Chief Financial Officer, who will give you more color on our early thinking around 2021.

I will now hand over to Rice. The floor is yours!

Rice Powell, CEO and Chairman of the Management Board

Thank you, Dominik!

Good afternoon, good morning – depending on where you are. Thank you for joining us for today's presentation and for your continued interest in Fresenius Medical Care.

At this point, I presume you will have seen our announcement on Monday. We are scheduled to publish our fourth quarter and full year results for 2020 on February 23rd. The German regulatory guidance and in particular the rules around the COVID impacts are very stringent and require us to report upon an early indication of a likely material impact. This is what happened on Monday.

Therefore, we provided the market with some early indications for how these results and our 2021 outlook are shaping up at the very moment. The regulatory guidance does not leave us with time for a detailed analysis before we have to inform the markets even though we have entered our quiet period.

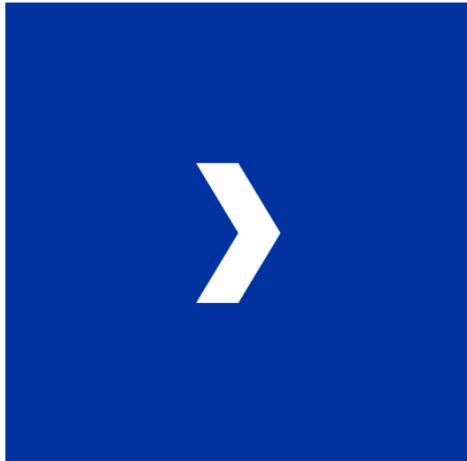
It is not our intention to be unavailable to your questions. We do apologize for this inconvenience.

We continue to finalize our figures for Q4 as well as our 2021 budget. Consequently, giving a well-defined outlook for 2021 is very difficult at this point. Today, we present these early indications and explain our current thinking.

Recognizing that many of you will have questions, Helen, Frank and I endeavor to address as many potential questions as appropriate in these prepared remarks. At the same time, we wanted to spare everybody the frustration of having to respond with a "we can't comment yet". We are asking for your understanding that today is a listen-only call. After the quiet period we will offer a Q&A session in our earnings call as we traditionally do.

With that said, let me begin on slide 3.

■ FY 2020 | BUSINESS UPDATE



- > Financial targets for 2020 achieved:
 - > **Revenue growth at mid-single digit**
 - > **Net income growth slightly above top end of target range**
- > Reported earnings in Q4 negatively impacted by macro-economic driven goodwill impairment in Latin America (approx. €195 million)
- > Excess mortality trend accelerated significantly in the US and EMEA in November and December 2020



FY2020 results are preliminary and unaudited | FY 2020 targets for revenue and net income growth at constant currency excluding special items (Latin America impairment of approx. €195 million) and on an adjusted 2019 basis.



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It is no secret that COVID-19 presented us with real challenges in 2020 and we are certainly not alone in having to navigate through this unprecedented pandemic. I'm incredibly proud of how Fresenius Medical Care employees rallied together to ensure our ESRD patients around the world continued to receive the life-sustaining treatments they depend on us for.

This tremendous effort by our team, with the efficiency and cost savings measures implemented, also contributed to the strong performance of our business in 2020.

Despite the negative impacts of the COVID-19 pandemic, we have achieved our revenue target and slightly exceeded our net income target for 2020, based on preliminary and unaudited financial figures.

Revenue growth is expected to come in at a mid-single digit growth rate, while net income growth is expected to come in slightly above the top end of our mid to high-single digit target range. As we have delivered on our targets in 2020, we plan to propose a dividend in-line with our dividend policy.

This is a real achievement and a testament to the hard work and dedication of our team at Fresenius Medical Care.

Now, there are also a couple of developments coming out of the fourth quarter that we needed to make the market aware of early on.

First, as outlined in Monday's announcement, we anticipate a macro-economic driven impairment of goodwill and tradenames in our Latin America segment of approximately EUR 195 million as a consequence of the macro-economic downturn and increasing risk adjustment rates for certain countries in Latin America. The impairment will be treated as a special item.

This is something that we flagged as a possibility back in the second quarter of 2020, which is an indicator that we are constantly evaluating our goodwill in accordance with accounting rules and requirements. And we do confirm that we do not see further need for impairments in any other business area at this point in time.

The second development relates to mortality. Given the delay in data availability and the time required to properly analyze, validate and model a trend, Monday was the first opportunity to judge the potential impact on our business development in 2021.

Throughout 2020, we reported that COVID-19 affects people with advanced kidney disease and that the severity of illness results in an increased mortality among dialysis patients. This excess mortality trend has accelerated in November and even more significantly in December and accumulated to an excess mortality of approximately 10,000 patients in 2020 over the pre-pandemic baseline. This represents roughly 300 basis points of our total patient population. The largest part of this impact results from the last two months of 2020.

That excess patient mortality figure is worldwide; however, we are seeing greater consequences from COVID-19 in the United States and the EMEA region.

We are not through with this pandemic by any means and implications for 2021 appear even more considerable. We anticipate excess patient mortality will continue to grow and further accumulate beyond the 10,000 patients we have seen in 2020. We will update you on the developments quarter to quarter throughout 2021.

This trend also has material financial consequences in the near-term. Helen will elaborate on those later. Before Helen does that, I will turn it over to Frank and he will give you some insights on the process our Global Medical Offices uses for projections with respect to the excess mortality.

■ ASSUMPTIONS | MEDICAL DATA PROJECTIONS



- > People with Advanced Kidney Disease are known to be highly vulnerable to COVID-19
- > Access to care is essential for those patients with kidney failure that require dialysis
- > Modeling evidence of COVID-19 surges and risks for patients allows us to prepare proactively heightened identification and mitigation strategies
- > Hospitalization, Missed Treatments, Signs & Symptoms, New Patient Referrals and Mortality Tracking provide a sense of the expected impact directly and indirectly related to COVID-19

Frank Maddux, Global Chief Medical Officer and Member of the Management Board

Thank you Rice. I will begin on slide 4.

The COVID-19 pandemic caused by the SARS-Cov2 novel Coronavirus and its variants has affected economies and health systems around the world. The population of patients with advanced kidney disease, regardless of whether they yet require renal replacement therapy, are recognized as a highly vulnerable population of patients affected by the disease.

Our medical office and clinic operations have worked throughout the pandemic to provide guidance on maintaining access to therapy, identify those affected or at risk for COVID, apply aggressive non-pharmaceutical interventions to protect patients and staff, offer treatment to known cases of COVID, encourage vaccination and publish our methods of scientifically understanding features of this viral infection.

I wish to thank all our clinic, manufacturing and operational staff that maintain access to care through the provision of supplies, equipment, and direct patient care services for people with kidney failure. They are the heart of essential healthcare work.

Throughout the company we look to assess the burden and the impact of COVID on the patients we treat directly or supply needed equipment and products. This begins with an understanding of who has COVID or who is suspected of having COVID. Through screening for signs and symptoms we have noted trends that indicate a surge in infections. We screen patients upon entry to a facility for temperature, cough and secondary signs of COVID infection like loss of taste, smell and breathing difficulties.

Triggers from these screens lead to identification of patients being tested for COVID, identified as persons under investigation and isolated for their treatments. All this occurs in the face of a high level of non-pharmaceutical interventions including masks, social distancing, intensive disinfection procedures and isolation.

Further, we track and monitor the number of patients with advanced CKD that are seen in our network of provider nephrologists or are referred for initiation of treatment to interpret disease burden in both the direct population we treat today as well as the population we expect may be referred in the future.

These observed clinical and practice pattern findings allow the advanced analytics and epidemiology teams and crisis response teams to look at population trends by locale in the identification of patients we directly care for and the burden or expected burden of disease in the coming days and weeks.

We have seen several waves of COVID infection in both focal and broad geographies around the world over the course of 2020 and now into 2021. These observations are detailed at the region, country and state level in the approximately 50 countries where we directly care for patients and the 150 countries where we provide equipment and supplies for dialysis therapy.

Moving to slide 5.

■ ASSUMPTIONS | MEDICAL DATA PROJECTIONS



- > The impact of COVID-19 and mitigation strategies is worldwide and includes:
 - > Testing for COVID-19
 - > Isolating patients with or suspected of the disease
 - > Aggressive use of non-pharmaceutical interventions like masking, distancing and isolating
 - > Utilize pharmaceutical interventions when cases are identified
 - > Vaccination
- > Excess mortality is correlated with disease burden surges and is delayed temporally
- > Modeling the impact of vaccination availability, adoption and other strategies indicates that the impact of the pandemic will continue into 2021

We model the impact of the pandemic on hospitalization, missed treatments and death. These models typically may require 4-5 weeks of lag time as the acquisition of death information can be delayed and fragmented as much of the terminal care of these patients is not directly in our hands due to their acute illness.

Once these data are validated, there is analysis of year-over-year observed deaths to historical expected deaths. These are in the context of known seasonal variation throughout the course of a year. This expected death rate gives us a picture of the estimated excess deaths in the ESKD population we treat directly.

It is through validating these analyses that we capture the 2020 excess mortality impact which contributes to the guidance change noted in our recent announcement.

Each surge of COVID, whether in a focal series of hotspots like we saw in spring and summer of 2020 or the more recent December 2020 surge in cases that has generated broad and sweeping infection rates across multiple parts of the world, is followed some 4-5 weeks later by an increase in reported related deaths.

This occurs in the general population, the CKD population and our ESKD population. The most recent holiday surge in cases has been broad and seen across several continents and in many countries. It has followed the pattern of increasing infections followed by increasing burden on health systems and we are now recognizing the related increased excess mortality.

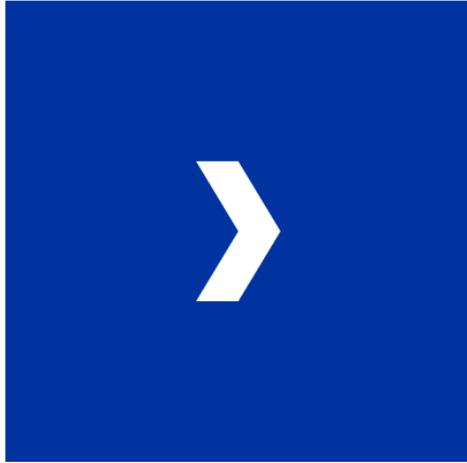
The company has been using predictive mortality models of excess deaths for the general population from the University of Washington and other sources to extrapolate predicted mortality for our ESKD patients and the potential impact of country-level non-pharmaceutical interventions, mitigation strategies and vaccination implementation for our patients and staff.

Country-level variability in acknowledging and addressing COVID have had different levels of COVID impact, which in turn, has affected what we see in our global population of patients affected by the pandemic.

It is with the slow growth in vaccination availability, vaccine hesitancy in some countries, the known risk of attenuated immune responsiveness to vaccination in people with kidney disease and the appearance of novel highly contagious COVID variants that compel us to signal an expectation of continued impact until the pandemic is under better control at which time we anticipate a return to baseline clinical patterns and results.

With that I will end my comments on the approach we have taken to address the burden and understanding the impact of the pandemic. I will now turn it over to Helen.

■ FY 2021 | EARLY INDICATIONS



- > Accelerating effects of excess mortality impacts treatment volumes and therewith operating leverage of
 - > Clinic utilization and
 - > Downstream effects on complementary assets
- > **2021 early indication**
 - > **Revenue growth:** up to mid-single digits
 - > **Net income** (before potential restructuring costs): decline up to 25%



2021 early indications: Growth (decline) inclusive of anticipated COVID-19 effects, in constant currency and excluding special items such as restructuring costs. Growth rates are based on the preliminary and unaudited 2020 results excluding special items such as impairments. | Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA



Helen Giza, Chief Financial Officer and Member of the Management Board

Thank you, Frank! Hello, everyone! I hope you and your families are staying safe and healthy.

I will pick up on slide 6.

As just outlined by Frank, the accelerating effects of excess mortality due to the COVID-19 pandemic are continuing into 2021. Excess mortality is expected to further accumulate in the first half of the year and have an increasingly significant adverse annualization effect on treatment volumes.

This also negatively impacts the operating leverage on our clinic utilization and downstream effects on complementary assets.

A major reason we are now seeing a more material net income impact from mortality, is that, with a lower treatment volume, we also lose patients to a more sizeable extent, that previously covered our fixed cost base. And given the extent of the pandemic, this reduces profitability for many of our clinics. With only a small number of patients missing per clinic for a certain period, the consolidation of clinics in the shorter term, is not broadly viable in a meaningful way, as an offsetting factor for 2021.

Additionally, the excess mortality has a downstream effect on some of our complementary assets like the renal pharmacy or our vascular access business. The effect of mortality in our patient population and our complementary assets combined accounts for roughly two thirds of the negative net income impact. It will recover with underlying patient growth over time and inorganic opportunities.

Something we talked about continuously through 2020, are the comprehensive measures we took, in order to protect patients during the COVID-19 pandemic, and to maintain safe operations in more than 4,000 dialysis centers and 45 manufacturing sites around the world. These measures include the provision of personal protective equipment for employees and patients and higher compensation for our employees working in isolation clinics.

These measures have resulted in significantly increased costs in the Dialysis Services business, which in 2020 were largely compensated by government support, in particular in the U.S., accelerated efficiency measures, supported by lower spending levels, as well as a strong Products business development.

However, at this time, we are not anticipating government relief for 2021 and yet these protective measures continue to weigh on our business and account for roughly the other third of our net income delta to our plan for 2021. These costs are not assumed to carry over in 2022.

Against this backdrop and based on the currently available information and status of analysis, for 2021 we anticipate revenue growth of up to mid-single digits and assume net income before potential restructuring measures to decline by up to 25 percent.

In order to avoid any misunderstandings – the basis for the 25 percent is the high-level of 2020 net income before special items – this means before the impairment charge.

As Rice mentioned, we are working in an unprecedented time, with an increasing number of variables, which makes it extremely difficult to give guidance this year. Frank was so kind to explain, that there is more up to date information to come, and we need time for a careful analysis of the latest data. We will use the next three weeks to refine our guidance range and will provide regular updates over the course of the year.

Turning to slide 7.

■ 2021 | EARLY INDICATIONS

- > Current high-level assumptions for 2021
 - > Monthly excess mortality to continue to accumulate for at least the first half of 2021 depending on adoption and speed of roll out of vaccinations to our worldwide patient population
 - > COVID-19-related additional costs (e.g. PPE, personnel cost) in the Dialysis Services business to remain on high level
 - > Besides the extended suspension of the Medicare sequestration through March 2021 no further public relief funding for dialysis providers

- > **Mid-term targets until 2025 confirmed**
(as defined in October 2020)



Here, we have outlined the high-level assumptions informing our early indications for 2021.

We are expecting monthly excess mortality to continue to accumulate for the first half of 2021. This is dependent on both, the adoption, as well as the speed, at which vaccinations can be rolled out to our patient population around the world.

As we talked about earlier, COVID-19-related additional costs, such as personal protective equipment or increased personnel costs in the Dialysis Services business, are expected to remain at a high level. For PPE in particular, we see an ongoing need, that is further exacerbated by rising costs.

In 2020, pandemic-related costs in the Dialysis Services business were largely compensated by accelerated efficiency measures and governmental support, particularly from the U.S. However, besides the extended suspension of the Medicare sequestration through March 2021, there is currently no further public relief funding assumed for dialysis providers in 2021.

Our up to mid-single digit revenue growth, while negatively impacted by the excess mortality and calcimimetics, does benefit from the tailwinds from Value-based care, Home business growth, Medicare Advantage expansion and ESRD PPS bundle rate increase.

The impact on net income is more negatively pronounced due to lower volumes and resulting negative impacts on clinic utilization and overhead adsorption. The outlined downstream effects on other business areas, like vascular access and pharmacy, add to this effect along with the full impact of the ongoing protective cost measures not covered with relief, the impacts from calcimimetics and anticipated transactional exchange rate losses.

Additionally, we are not expecting a deterioration of our commercial book of business in 2021. Although the economic impact from COVID-19 lingers, and unemployment is high, we have not seen an impact on our commercial book of business so far. We also do not have any major payor negotiations in 2021.

Despite the pressure resulting from the pandemic, we expect our products business to grow against the high level of 2020.

2021 will no doubt be difficult. However, we are confident that we will get back on track, as soon as we see sufficient vaccinations available in our markets around the world. In the U.S., for example, the referral rates for new patients have normalized at the end of 2020, which should help the organic growth going forward.

Therefore, our mid-term targets, as defined at our Capital Markets Day last October, remain unchanged. By 2025, we project to grow our revenues in the mid-single-digit percentage range along with high single-digit net income growth.

While these targets did not include unknown aspects, such as the potential impact from COVID-19, the phasing of these targets might now look different from a free cash flow generation perspective, than initially assumed, and are more backend loaded.

To that extent, we are evaluating potential additional cost efficiency and restructuring measures that would strive to compensate for the earnings impact we are experiencing as a result of this pandemic. The potential additional cost efficiency and restructuring measures under evaluation should be contributing, in particular, in a meaningful way towards the medium-term. For the sake of clarity, regardless of what will come out of our analysis in terms of potential additional optimization measures, we do not anticipate a positive contribution for 2021.

We are evaluating different opportunities and plan to come back with additional detail at our earnings call on 23rd February.

A final point from me before I turn this back over to Rice. At this time, we see 2021 as probably a lost year for growth. Based on our current assumptions, we do not expect an acceleration of organic growth before Q4 2021. In the mid-term, we do expect to see growth normalize once the pandemic abates.

With that, I will now hand back to Rice to walk through slide 8.

■ 2021 | EARLY INDICATIONS

- > Close monitoring of:
 - > Development of excess mortality in our worldwide patient population
 - > Adoption and speed of roll out of vaccinations in patient population globally
 - > Potential availability of government relief funding
- > Potential cost efficiency and restructuring measures to further adjust the cost base are under close evaluation



Rice Powell, CEO and Chairman of the Management Board

Thank you, Helen.

At this time, we are continuing to closely monitor the development of mortality on a global basis, the adoption and speed at which our patient population receives vaccinations globally, as well as the potential availability of government relief.

In addition, as outlined by Helen, potential cost efficiency and restructuring measures to further adjust our cost base in the medium-term are under close evaluation. We plan to give a bit more detail on this in our scheduled earnings call later in the month. There is more work to be done first.

There is no question that 2021 will continue to be a difficult operating environment. We are confident that once COVID-19 is behind us, our 2025 strategy will prove to be correct and we will be in a very good position.

Please be assured, we will continue to work with full commitment and tireless effort for our patients, employees and investors to overcome the impacts the pandemic has challenged us with and to achieve the mid-term targets.

This concludes what we have prepared for today. Again, I trust you understand that we cannot take any questions until the quiet period is over, but I hope Helen, Frank and I were able to address some of your potential questions.

We look forward to speaking with you again on February 23rd and we certainly will have Q&A at that time.

Until then, thank you again for your interest and please stay safe. Thank you for your interest in Fresenius Medical Care!



» Thank you!

CONTACTS AFTER QUIET PERIOD

FME INVESTOR RELATIONS

Else-Kröner-Str. 1
61352 Bad Homburg v.d.H.
Germany

TICKER:
FME or FMS (NYSE)

WKN:
578 580

ISIN:
DE00057858002

DR. DOMINIK HEGER

Head of Investor Relations,
Strategic Development &
Communications | EVP

+49(0) 6172-609-2601
dominik.heger@fmc-ag.com

ROBERT ADOLPH

Vice President
Investor Relations

+49(0) 6172-609-2477
robert.adolph@fmc-ag.com

PHILIPP GEBHARDT

Director
Investor Relations

+49(0) 6172-609-95011
philipp.gebhardt@fmc-ag.com