

# **“The Transformation of Fresenius Medical Care”**



## **ANNUAL GENERAL MEETING Fresenius Medical Care AG & Co. KGaA**

**Speech by Rice Powell  
CEO and Chairman of the Management Board**

Bad Homburg | May 12, 2022

Dear Shareholders,

Welcome to the 2022 Annual General Meeting of Fresenius Medical Care!

This year's meeting is taking place virtual again. The current situation unfortunately does not yet allow for in person activity. It would have been great to see you all in person, but we must give people's health and safety absolute priority. At least I was able to travel from the United States to Germany and welcome you today from our headquarters in Bad Homburg.

When people ask me how the situation at Fresenius Medical Care is at the moment, I have three simple answers: It is *challenging, inspiring and exciting*.

### **People need care even when the world around them is falling apart**

Let us begin with the challenges. At the end of February, we received the first distress calls from our teams in Ukraine. The Russian army was moving rapidly. Millions had to flee for their lives. Others joined the resistance and enlisted in the army. People were concerned about keeping their loved ones safe.

Our teams were also worried about their patients. Across Ukraine, more than 10,000 people live with kidney failure. About a third of them depend on our supplies and equipment to survive. Even our main supply warehouse was subjected to heavy shelling. Outside our clinics, there was devastation. A curfew kept people inside after dark.

### **COVID and excess mortality**

The sad news from Ukraine came hot on the heels of another challenge for our company. More than 22,000 of our patients have died since the start of the COVID-19 pandemic – almost half of them in the past year.

In our financial reporting, this is shown as "excess mortality" – a technical term that says nothing about the human tragedy behind it. As we all know, there is a personal story behind every one of these people – with family, friends, and others who will miss them.

They will be missed by many of us as well. For example, by the nurses in our clinics, who treat our patients several times each week. They take care of them, talk with them, and get to know them over time. We form bonds with the people we care for – and remember them when they are gone. So yes, 2021 was a difficult year.

## **Business performance in 2021 – 25<sup>th</sup> consecutive dividend increase**

2021 was difficult from a financial standpoint as well.

123,000 employees took care of around 345,000 patients, roughly the same number as the year before. While these figures suggest stability, in reality, things were very different: As I mentioned before, we lost many patients to COVID. This implies that many of the patients we treated were new ones. Since our facilities are designed to cater for an increase in patient numbers, in economic terms, our capacities were underutilized.

Additionally, many health care employees were under considerable stress during the pandemic. That led to resignations across the industry, resulting in staff shortages and higher labor costs as those that were left had to work overtime, treating patients, in hiring and training new staff. Add to that the increasing inflationary costs of our supplies.

I would like to cut to the bottom line: Despite the headwinds, we delivered our forecast for 2021, coming in at the lower end of the range. At constant currency, revenue grew by two percent, and our net income declined by 23 percent.

The first quarter of this year was difficult as well. In January and February, we again saw very high excess mortality among our patients. Costs increased even more than we thought. And the payments we expected from the U.S. government's Provider Relief Fund in the first quarter of 2022 only materialized in the second quarter of the year.

After the many challenges of the past months, we are more determined than ever to get back on track for growth. In 2022 we expect our revenue and net income to grow at a low to mid-single-digit percentage rate.

To maintain continuity and deliver shareholder returns, we are proposing a dividend of 1.35 euros per share, our 25<sup>th</sup> consecutive dividend increase. Despite the unprecedented effects of COVID-19, we believe that the fundamental drivers of our business and growth remain unchanged.

We obviously had to overcome some *challenges*. After all, we operate in a global environment that has become increasingly volatile and complex.

## **Our patients and nurses at Fresenius Medical Care**

It never ceases to amaze me that with every challenge we face, a new unsung hero appears and rises to the occasion. This leads me to the second word I use to describe the situation at Fresenius Medical Care: *inspiring*. And it is inspiring – in so many ways.

Our patients' resolve to live good and satisfying lives always inspires me. I have cheered on a dialysis patient who ran a 30-kilometer race in a time that most people with two functioning kidneys would find hard to beat. I have seen couples fall in love, and our clinics become a stop on their honeymoon. And I met a woman on dialysis who went on to give birth and raise children, which is akin to a medical miracle.

I am inspired by our clinical staff. Being diagnosed with kidney disease is a life-changing event, and patients who receive this news depend on others to support them. Often, it is our nurses who guide them through this difficult time and give them the empathy, patience, and encouragement they need. They are more than health care experts – they are listeners, friends and sometimes family.

During the first waves of COVID-19, our nursing staff became superheroes: Some stayed at our clinics for weeks on end, because they did not want to risk getting infected on their daily commutes to and from the clinic, they felt they needed to be there for their patients. Others volunteered their support in global COVID-19 hotspots or tirelessly advocated for vaccinations.

### **Providing care in a warzone**

Something equally inspiring is still happening in Ukraine. In spite of all the devastation, our teams have never lost sight of their mission to take care of our patients.

When the bombs fell, they moved machines and treatment to the clinic basements for safety. When curfews meant people could not go outside, staff on the last shift stayed the night with patients, sleeping in the corridors. And when people from other, harder hit regions arrived and needed treatment, they did what they could to accommodate them.

Unfortunately, we had to evacuate patients from two of our dialysis clinics that have been severely affected by the fighting. In our remaining dialysis clinic, our local team was toiling 24/7, with non-stop shifts, taking care not just of our own, but other patients and their families who have been displaced by the war. Just a few days ago the team on the ground could reopen the second clinic again and are able to better support the local public hospitals. In our clinics in neighboring countries, we are constantly taking in new patients as more people keep arriving.

To ensure that we can continue to supply hospitals and other dialysis facilities with our products, we have relocated our warehouse from Kiev to safer locations.

In the last couple of weeks, we have provided dialysis products, food, medicines, and other humanitarian goods to hospitals and dialysis centers in Ukraine. This was in response to requests from nephrologists on the ground as well as from local hospitals, and the Ukrainian Ministry of Health. To help as many facilities as possible, we have coordinated supplies with other companies, leveraging our strong supply chain to make sure that the goods arrive where they are most needed in Ukraine.

We are giving our Ukrainian colleagues all the support we can. Our employees around the world have contributed generously to Fresenius Medical Care's CARES fund that provides emergency capital for food, shelter, and medicines. There are no words to describe the bravery and humanity our colleagues have shown during these dark days for Europe.

### **Key drivers remain strong**

As much as I am *inspired* by our employees and patients, I am also *excited* about the future of Fresenius Medical Care. The key drivers for our success remain stable. People across the world are living longer. As the population continues to age, we estimate that more than six million people will require dialysis by 2030 – a 460 percent increase compared to 2000.

### **We are aiming for success**

Our Strategy 2025 puts the Company in a position to leverage the opportunities these developments bring and guarantee sustainable profitable growth in the future.

In addition, our transformation program, FME25, is set to achieve its first sustained savings this year. After a one-time investment of 450 to 500 million euros, most cost-saving measures will be implemented by 2024, reducing our annual cost base by 500 million euros by the end of 2025.

We expect to complete the roll-out of our new global operating model around 2023. This will streamline and globalize the Company thanks to a significantly simplified structure with two segments based on our key value drivers: Care Delivery, which incorporates our services business, and Care Enablement with our medical technology business. All these measures will improve our profitability, make us more efficient and agile, and take our value creation to the next level.

The new operating model is also reflected in the responsibilities of our Management Board. In addition to her role as CFO, Helen Giza is leading this effort as Chief Transformation Officer. Bill Valle is head of the Care Delivery segment, while Dr. Katarzyna Mazur-Hofsäß has responsibility for

the Care Enablement segment. Frank Maddux continues to be in charge of the Global Medical Office.

### **Medical progress at a reliable cost**

Looking further into the future, there are even more exciting times ahead.

We are on track with executing our Strategy 2025 and our expansion along the renal care continuum.

Our value-based care programs in the U.S. are at the forefront of our efforts in this area. They allow us to keep costs affordable for payors in private and public settings, while improving our patients' quality of life with ever better products and services. Thanks to these programs, we will be able to reduce hospital admissions and readmissions, slow the progression of kidney disease, increase transplant referrals and rates, accelerate the transition to home dialysis, and improve clinical outcomes.

By the end of 2022, 80,000 patients will benefit from value-based care – four times more than in the previous year. This includes 24,000 patients with end-stage kidney disease and 28,000 with chronic kidney disease.

The three-way merger between Fresenius Health Partners, InterWell Health, and Cricket Health, with us as the majority shareholder, will allow us to move even further into the pre-dialysis market. Our total addressable market in the U.S. will more than triple as a result. Operating under the InterWell Health brand, the new entity will take over the care of more than 270,000 people with kidney disease in the U.S.

I see value-based care as an important step towards our future success. It provides the economic foundation for medical and technological progress moving from a vision to reality. We made over 2,000 improvements to our expanding product portfolio in 2021. Now, specialists from various disciplines are putting their heads together at the Innovation Lab in our new Technology Center in Schweinfurt to create the next generation of products, translating into an even higher quality of life for our patients.

We know that many people suffering from end-stage kidney disease dream of regaining their freedom and flexibility. They can use our home dialysis products to follow their dialysis schedule within their own home. We are making much faster progress in this area than we thought: In the U.S., we recently passed the 15 percent mark, and are now heading for the aspirational target of performing 25 percent of all treatments in the U.S. at patients' homes by 2025.

## **The next steps in kidney care**

Offering personalized treatment is not just about individual schedules. We are feeding information from more than two million patients, over half a billion hemodialysis treatments, and almost two billion laboratory tests into our new treasure trove: the largest repository of genetic and clinical data on advanced kidney disease in the world.

This ever-growing resource will transform kidney care as we know it. Researchers will be able to decode the warning signs and causes of kidney disease – enabling us to intervene earlier and find new drugs faster. And caregivers can use the information about patients' heart rhythms or fluid volumes to unlock the benefits of personalized medicine.

## **Increasing our positive impact**

As we continue to have a positive impact, we are working on reducing our environmental footprint: We intend to reduce our CO<sub>2</sub> emissions by 50 percent by 2030 and become climate neutral by 2040. Lowering emission levels is part of Fresenius Medical Care's sustainability agenda and is closely linked to the Company's strategy for profitable and sustainable growth in the long term. In the coming years, we will continuously examine additional ways to take action. Operating globally implies global responsibility and to this end, we will continue to expand our sustainability measures.

Dear Shareholders,

When I became CEO in 2012, I set three goals for our Company:

1. to put patients at the center of our strategy and decisions,
2. to remain the market leader in dialysis, and
3. to exploit growth potential beyond dialysis treatment itself.

When I retire by the end of the year, I will be able to proudly say: This inspiring and exciting company is right on track. Not everything has gone as planned during the past years, yet we have succeeded in many things.

All these achievements are not due to the efforts of one individual. They are down to teamwork. I have met so many impressive people and experienced so many great things. I consider it a privilege to have been able to help shape the path of Fresenius Medical Care, almost since its foundation – including more than ten years as CEO and Chairman of the

Management Board. I would like to thank all my colleagues – for their commitment, their tireless efforts and for always putting our patients first.

We need change. Today, Fresenius Medical Care is not the same company it was ten years ago. And it will be a different company again in another ten years. This is good news – because it means we are not standing still; we are progressing. And there are many good reasons why I am confident about this change.

Thanks to our transformation program FME25, we have put the Company on a strong new foundation. Our Strategy 2025 sets us on a clear path to achieve continued success for the Company.

Yes, there is still a lot to do. Change never ends. The time has come for me to hand over the Company to the next generation. I am leaving an impressive company with a strong mission and purpose. And I am leaving it in good hands.

At the end of the fiscal year, I will be passing on the baton to Dr. Carla Kriwet who will succeed me as CEO. I am absolutely convinced that with her international experience in the medical industry, Carla is uniquely qualified for the transformation that this company is undergoing. I wish her and her team all the best. I am confident that Carla will successfully lead our Company into the future.

Before I wrap up, I would like to thank the Supervisory Board and you, our shareholders, for your trust and your support in the past years. I would like to ask you to give Carla and her management team the same trust and constructive support in the years to come.

I am looking forward to watching Fresenius Medical Care create an even better future for our patients.

Because this is what our exciting and inspiring company is all about.

Thank you!