

Fresenius Medical Care delivers on commitments in a year of fundamental transformation



- Revenue growth of 5% in 2023 driven by favorable business development
- Operating income¹ growth of 15% exceeding top end of outlook range, due to business growth, FME25 savings ahead of plan and contributions from the Tricare settlement
- Successful execution on turnaround plan resulting in significant labor productivity improvements in Care Delivery and positive pricing in Care Enablement
- Several key divestments announced as part of the ongoing Portfolio Optimization Program - Strong cash flow performance and net financial leverage ratio reduced
- Dividend of €1.19 per share proposed
- For 2024 continued revenue growth and accelerated operating income growth projected

Helen Giza, Chief Executive Officer of Fresenius Medical Care, said: "In 2023, we delivered on our commitments while we fundamentally transformed Fresenius Medical Care. Exceeding our upgraded financial outlook for the full year was the very successful finish to an extraordinary year. We implemented the new global operating model, progressed on our operational turnaround ambitions, changed our legal form and advanced on the Portfolio Optimization Program through key divestments. Thanks to the commitment of our 120,000 employees, the high quality of care for our patients remains front and center in everything we do. Based on the turnaround progress achieved last year, we have a strong foundation to build on to make 2024 a year of accelerated profitable growth while progressing towards our ambitious mid-term margin target."

Key figures (IFRS)

	Q4 2023	Q4 2022	Growth	Growth	FY 2023	FY 2022	Growth	Growth
	EUR m	EUR m	yoy	yoy, cc	EUR m	EUR m	yoy	yoy, cc
Revenue	4,988	4,997	0%	+7%	19,454	19,398	0%	+5%
Operating income	428	352	+22%	+27%	1,369	1,512	-9%	-7%
excl. special items and PRF ¹	555	489	+14%	+18%	1,741	1,540	+13%	+15%
Net income²	188	139	+35%	+41%	499	673	-26%	-24%
excl. special items and PRF ¹	259	248	+4%	+8%	756	729	+4%	+6%
Basic EPS (EUR)	0.64	0.47	+35%	+41%	1.70	2.30	-26%	-24%
excl. special items. and PRF ¹	0.88	0.85	+4%	+8%	2.58	2.49	+4%	+6%

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

Successful execution against the strategic plan

Fresenius Medical Care, the world's leading provider of products and services for individuals with renal diseases, successfully finished a year of

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significant transformation. Structure: During fiscal year 2023, Fresenius Medical Care continuously advanced its structural change. After implementing the new operating model along with the corresponding new financial reporting at the start of the year, it ended with the successful completion of its change of legal form into a German stock corporation. Through this change, a simplified corporate governance structure gives the Company more flexibility and autonomy and strengthens the role of the free float shareholders.

Operational efficiency: In 2023, the company successfully executed on its operational efficiency improvement and turnaround plans. The FME25 transformation program reached annual sustainable savings of EUR 346 million, ahead of our initial plan for the year (EUR 250 to 300 million). Related one-time costs were EUR 153 million in 2023, adding up to EUR 420 million since the start of the program in 2021. The program continues well on track to achieving the targeted EUR 650 million of sustainable annual savings by year end 2025. The significant improvement in labor productivity in Care Delivery a year earlier than targeted, as well as the successful pricing initiatives in Care Enablement additionally supported the underlying positive earnings development.

Portfolio Optimization: Fresenius Medical Care announced several key divestments as part of the strategy to execute on its portfolio optimization program to exit non-core and dilutive assets. The divestments of National Cardiovascular Partners in the U.S. (closed), our operations in Argentina (closed) and Cura Day Hospitals Group in Australia (signed) generate EUR 0.5 billion in total proceeds, of which EUR 135 million were received in 2023. The three assets include 127 facilities, more than 4,500 employees, more than 10,000 dialysis patients. Divestments closed in 2023 accounted for EUR 214 million of revenue and EUR 20 million of operating income.

Capital Allocation: During 2023, Fresenius Medical Care strictly followed its disciplined financial policy. A significant increase of +32% in Free Cash Flow, mainly due to favorable contributions from working capital and the Tricare settlement was used to reduce its net financial debt by 11% to EUR 10.8 billion. The corresponding net leverage ratio (net debt/EBITDA) decreased to 3.2x at the end of 2023, compared to 3.4x at the end of 2022. The Company adheres to its dividend policy of developing dividends in line with the development of net income excluding special items. Consequently, the dividend proposal for fiscal year 2023 of EUR 1.19 per share corresponds to an increase by 6% compared to prior year's dividend.

Sustainability: Fresenius Medical Care continued to make progress towards its Sustainability goals. Underscoring the Company's focus on high quality care, the patients' overall satisfaction with our services measured by the Net Promoter Score of 72 was at an even higher level than in previous years. With its recent submission of the commitment letter to the Science Based Targets Initiative (SBTi), the Company underlines its goal to achieve climate neutrality in its operations by 2040 in line with the Paris Agreement.

Revenue development driven by solid organic growth

In the **fourth quarter 2023**, **revenue** remained flat with EUR 4,988 million (+7% at constant currency, +3% organic).

Care Delivery revenue remained flat with EUR 3,976 million in the fourth quarter 2023 (+8% at constant currency, +2% organic).

In Care Delivery U.S., revenue increased by 2% (+7% at constant currency, +1% organic). The increase was mainly driven by value-based care business growth, reimbursement rate increases, a favorable payor mix, an increase in dialysis days as well as the impact from the Tricare settlement in the amount of €191 million, partially offset by negative exchange rate effects. The annualization effect of COVID-19-related excess mortality in the latest stage CKD (Chronic Kidney Disease) and ESRD (End-Stage Renal Disease) population continues to weigh on same market treatment growth (-0.6%). Adjusted for the exit from less profitable acute care contracts same market treatment growth was flat.

In Care Delivery International, revenue declined by 11% (+10% at constant currency, +7% organic) as a negative exchange rate effect could only be partially offset by organic growth. Despite the annualization effect of COVID-19-related excess mortality, same market treatment growth was positive at 1.9%.

Care Enablement revenue declined slightly by 1% to EUR 1,380 million in the fourth quarter 2023 (+5% at constant currency, +6% organic). The negative exchange rate effects were partly offset by higher product sales as well as higher average sales prices.

Within **Inter-segment eliminations**³, revenue for products transferred between the operating segments at fair market value declined by 5% to EUR -368 million in the fourth quarter 2023 (+2% at constant currency).

In **full year 2023**, revenue was stable at EUR 19,454 million (+5% at constant currency, +4% organic). Care Delivery revenue was stable at EUR 15,578 million (+5% at constant currency, +3% organic). In Care Delivery U.S., revenue increased by 1% (+3% at constant currency, +3% organic). Adjusted for the exit from less profitable acute care contracts, U.S. same market treatment growth was at +0.2%. Revenue in Care Delivery International declined by 4% (+12% at constant currency, +7% organic). Care Enablement revenue was stable at EUR 5,345 million (+5% at constant currency, +4% organic). Inter-segment eliminations³ declined by 5% and amounted to EUR -1,469 million (stable at constant currency).

Earnings development driven by labor productivity improvements and FME25 savings

In the **fourth quarter 2023**, **operating income** increased by 22% to EUR 428 million (+27% at constant currency), resulting in a margin of 8.6% (Q4 2022: 7.0%). Operating income excluding special items and U.S. Provider Relief Funding (PRF)¹ increased by 14% to EUR 555 million (+18% at constant currency), resulting in a margin of 11.1% (Q4 2022: 9.8%).

Operating income in **Care Delivery** rose by 13% to EUR 515 million in the fourth quarter 2023 (+17% at constant currency), resulting in a margin of 13.0% (Q4 2022: 11.4%). Operating income excluding special items and PRF¹ increased by 12% to EUR 572 million (+16% at constant currency), resulting in a margin of 14.4% (Q4 2022: 12.8%). This was mainly driven by savings from the FME25 program and the impact of the Tricare settlement in the net amount of EUR 181 million. The operating income development was negatively impacted by our value-based care business, inflationary cost increases as well as higher expense related to performance-based compensation plans.

Operating income in **Care Enablement** amounted to EUR -42 million in the fourth quarter 2023 (Q4 2022: EUR -62 million), resulting in a margin of -3.1% (Q4 2022: -4.5%). Operating income excluding special items¹ improved from EUR -3 million in Q4 2022 to EUR 10 million, resulting in a margin of 0.7% (Q4 2022: -0.2%). The improvement compared to the previous year's quarter was primarily driven by savings from the FME25 program and positive pricing, partially offset by inflationary cost increases and unfavorable foreign currency transaction effects.

Operating income for **Corporate** amounted to EUR -44 million in the fourth quarter 2023 (Q4 2022: EUR -44 million). Excluding special items¹, operating income amounted to EUR -26 million (Q4 2022: EUR -20 million).

In the **full year 2023**, operating income decreased by 9% to EUR 1,369 million (-7% at constant currency), resulting in a margin of 7.0% (FY 2022: 7.8%). Excluding special items and PRF¹, operating income increased by 13% to EUR 1,741 million (+15% at constant currency), resulting in a margin of 8.9% (FY 2022: 7.9%). In Care Delivery, operating income declined by 10% to EUR 1,516 million (-8% at constant currency), resulting in a margin of 9.7% (FY 2022: 10.8%). Operating income excluding special items and PRF¹ increased by 14% to EUR 1,687 million (+16% at constant currency), resulting in a margin of 10.8% (Q4 2022: 9.5%). In Care Enablement, operating income decreased to EUR -67 million (FY 2022: EUR -30 million), resulting in a margin of -1.2% (FY 2022: -0.6%). Operating income excluding special items¹ improved by +16% (+19% at constant currency) to EUR 119 million, resulting in a margin of 2.2% (Q4 2022: 1.9%). Operating income for Corporate amounted to EUR -67 million (FY 2022: EUR -144 million). Operating income excluding special items¹ amounted to EUR -52 million (FY 2022: EUR -41 million).

Net income² increased by 35% to EUR 188 million (+41% at constant currency) in the fourth quarter 2023. Excluding special items and PRF¹, net income² increased by 4% to EUR 259 million (+8% at constant currency). In the full year 2023, net income² declined by 26% to EUR 499 million (-24% at constant currency). Excluding special items and PRF¹, net income² increased by 4% to EUR 756 million (+6% at constant currency).

Basic earnings per share (EPS) increased by 35% to EUR 0.64 (+41% at constant currency) in the fourth quarter 2023. EPS excluding special items and PRF¹ increased by 4% to EUR 0.88 (+8% at constant currency).

In the full year 2023, EPS declined by 26% to EUR 1.70 (-24% at constant currency). Excluding special items and PRF¹, EPS increased by 4% to EUR 2.58 (+6% at constant currency).

Strong cash flow development

Fresenius Medical Care increased its **operating cash flow** by 20% to EUR 719 million in the fourth quarter, resulting in a margin of 14.4% (Q4 2022: 12.0%). The increase in net cash provided by operating activities is mainly due to higher income supported by the Tricare settlement and favorable changes in working capital. In the full year 2023, operating cashflow increased by 21% to EUR 2,629 million, resulting in a margin of 13.5% (FY 2022: 11.2%).

Free cash flow⁴ increased by 21% to EUR 480 million in the fourth quarter, resulting in a margin of 9.6% (Q4 2022: 8.0%). In the full year 2023, Fresenius Medical Care generated free cash flow of EUR 1,960 million, a 32% increase compared to prior year, resulting in a margin of 10.1% (FY 2022: 7.6%).

Patients, clinics and employees

As of December 31, 2023, Fresenius Medical Care treated 332,548 **patients** in 3,925 dialysis **clinics** worldwide and had 119,845 **employees** (headcount) globally, compared to 128,044 employees as of December 31, 2022.

Outlook⁵

In 2024, Fresenius Medical Care expects revenue to grow by a low- to mid-single digit percent rate compared to prior year.

The Company expects operating income to grow by a mid- to high-teens percent rate compared to prior year.

The expected growth rates for 2024 are at constant currency, excluding special items. The 2023 basis for the revenue outlook is EUR 19,049 million and for the operating income outlook is EUR 1,540 million, both numbers are adjusted for the positive impact of the Tricare settlement and the operating business impact from divestments closed by yearend 2023.

The Company reconfirms its targets to achieve an operating income margin of 10% to 14% by 2025. This excludes impacts from portfolio changes.

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References:

1. For FY 2022, special items included costs related to the FME25 program, the impact of the war in Ukraine, the impact of hyperinflation in Türkiye, the Humacyte investment remeasurement and the net gain related to InterWell Health. Additionally, the FY 2022 basis for the 2023 outlook was adjusted for U.S. Provider Relief Funding. For FY 2023, special items include costs related to the FME25 program, the Humacyte investment remeasurement, the costs associated with the legal form conversion and effects from legacy portfolio optimization. For further details please see the reconciliation attached to the Press Release.
2. Net income attributable to shareholders of Fresenius Medical Care AG
3. The Company transfers products between segments at fair market value. The associated internal revenues and expenses and all other consolidation of transactions are included within "Intersegment eliminations".
4. Net cash provided by / used in operating activities, after capital expenditures, before acquisitions, investments, and dividends
5. Revenue and operating income, as referred to in the outlook, are both on a constant currency basis and excluding special items. Special items include 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 the costs related to the FME25 program (€153 M for operating income), the Legal Form Conversion Costs (€30 M for operating income), the impacts from Legacy Portfolio Optimization (€204 M for operating income) and the Humacyte Investment Remeasurement (-€15 M for operating income). Additionally, the results 2023 were adjusted for the Tricare settlement (-€191 M for revenue and -€181 M for operating income) and for the divestiture of the Argentinian business and NCP (-€214 M for revenue and -€20 M for operating income).

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