



**FRESENIUS  
MEDICAL CARE**

## **Annual General Meeting Fresenius Medical Care AG & Co. KGaA**

Speech Helen Giza, CEO  
Frankfurt/Main – May 16, 2023

**The spoken word shall prevail.**



*"We are just at the beginning of a new chapter in Fresenius Medical Care's history, and I am energized and excited about our clear transformational turnaround plan."*



Good morning, everyone, and a warm welcome from my side to Fresenius Medical Care's Annual General Meeting from the Congress Center in Frankfurt.

### **Introduction | Company Future | Strong business drivers**

It is hard to believe, it has been nearly six months since I transitioned from company CFO and began my tenure as CEO and I know that with this job, you have given me a clear-cut mission to turnaround Fresenius Medical Care and return to profitable growth, for which you have my full commitment.

I am excited to share with you where Fresenius Medical Care stands today, and why, as well as where we are in our transformational turnaround journey and the exciting path forward for the Company.

The idea behind creating Fresenius Medical Care in 1996 was to address the global impact of kidney disease, by combining the leading medical device engineering expertise of Fresenius with the comprehensive patient care of National Medical Care. A vertically integrated, leading kidney care company started its success story. It was grounded in the idea of using insights and data from high quality dialysis treatments, to engineer the most innovative and effective products and devices as well as continuously improve therapy and care delivery. This made us the unrivalled, leading kidney care company that we are today.

Chronic kidney disease today is a global pandemic affecting more than 10 percent of the world's population, or more than 800 million individuals. The globally growing and aging population, and increasing growth of lifestyle-related diseases like obesity, diabetes or hypertension will result in a growing number of people affected. There is no other promising therapy today or in the foreseeable future other than life-sustaining dialysis treatment. But no doubt end-stage renal disease diminishes the quality of life of people who are living with it.



That is why we as a Company have a clear, and very strong, vision:

**Creating a future worth living. For Patients. Worldwide. Every day.**

And it is patients like Raymond Scott who remind us of that vision and why we work hard and with full commitment.

In fact, there is no other global healthcare company with our expertise, scope, and scale in kidney care. Fresenius Medical Care is uniquely positioned to meet the demands for kidney care on a global basis. Our work to identify, monitor and treat kidney disease has never been more important to improve the future of millions of people. Today, our predictive analytics capabilities and continuous enhancement of medical algorithms are key parameters for improving the quality of outcomes and quality of life.

The Covid-19 pandemic was severe. We lost more than 25,000 patients due to the pandemic. While this is just a number from a business perspective, there are tragedies behind this number for families and friends, and also for our caregivers. They work closely with our patients for years, as you have just heard from Raymond.

The pandemic also revealed that our business was not as resilient, robust and agile as we had thought. Our organization was not designed for dealing with the magnitude of these changes.

We were operating in a fully decentralized, regional structure. We were vertically integrated on a local level. We had on top separate manufacturing and research and development organizations and disparate general and administrative functions.

We did not have true end-to-end profit and loss responsibility. We did not have the right level of transparency in the underlying profitability drivers, and most importantly, we did not run the two businesses – Dialysis Products and Dialysis Services – as the two different global businesses they are.

## **Business performance in 2022 | Dividend proposal**

It was clear that we needed to change the way we operate and manage our Company. This is why we initiated the FME25 transformation program in 2021.

But before I share more about FME25, let me move to a short review of 2022. The developments in 2022 have significantly impacted our business and confirmed that our transformational approach is more important than ever to enable the much needed, additional turnaround measures.

Let me start with some key facts – in 2022, we provided over 52 million life-sustaining treatments in more than 4,100 dialysis clinics throughout the world; we offered cutting-edge products in 153 countries; and we sustained the lives of around 345,000 patients around the globe.

2022 proved to be an unforeseeable, challenging year.

The pandemic-related excess mortality continued to result in a negative volume development and worsening of our operational leverage. We faced an unprecedented labor challenge in the U.S. At the peak we had more than 10,000 open positions and we were suddenly limited in our ability to take on new patients. The war in the Ukraine caused a macroeconomic inflationary environment, higher logistics costs, rising raw material and energy prices, and supply chain disruptions. All of this impacted our profitability.

These unforeseeable and unprecedented macroeconomic developments required us to revise our outlook for 2022 in July. At the end of the year, the performance came within the range of our updated guidance. At constant currency, revenue grew by two percent, and our net income declined by 17 percent.

Not surprisingly, the unusual accumulation of all these headwinds negatively impacted our share price, which dropped 46 percent in 2022. In line with our dividend policy, which is oriented to our earnings development, we are suggesting a reduced dividend of 1.12 Euro per share today. It is not without disappointment that I have to say that this is the first time we are proposing a lower dividend in more than 25 years.

Clearly from a shareholder value creation or a business performance perspective this is not where we aspire to be. And for everybody who has



invested with us for a while, you know that there is not a quick fix due to the many contributing factors that we need to manage – and that are to a large degree beyond our control.

### **Simplified operating model | Expected benefits from FME25**

2022 was not only a challenging year, but it also made two things crystal clear.

First, the transformation of Fresenius Medical Care’s operating model supported with the FME25 program is the right approach. It provides the best foundation to not only reshape our strategic agenda, but to enable the much needed turnaround measures such as additional operational efficiencies and a clear portfolio optimization in an even more challenging environment.

Second, the Company needs a new leadership approach. It needs a winning culture with clear accountability and end-to-end responsibility, where diversity, equity and inclusion as well as sustainability are integral parts.

Let me start with the first point – the transformational turnaround.

Our transformation is a multi-year journey where we reorient the Company while making the right investments for our future.

On January 1, 2023, we achieved the first major milestone in our transformation, and reorganized the Company to operate as the two distinct businesses they are: *Care Delivery*, our healthcare services segment; and *Care Enablement*, our MedTech products segment.

For the first time, we now have a global view with end-to-end profit and loss responsibility of each segment. The new operating model still harnesses the power of our Company by continuing to leverage the unique benefits resulting from the combination of both our businesses supported by our *Global Medical Office*. It enables us to globalize all our administrative and support functions. And by further professionalizing them, we are able to leverage our infrastructure in a much leaner way.

The new operating model also provides clear transparency on the drivers of our profitability, enabling direct comparison to our peer set with a clear view of targeted areas of improvement. These new insights have enabled us to identify further improvement potential and to define clear strategic aspirations, and capital allocation priorities for each segment.

For FME25, I was able to announce earlier this year that we increased our targeted savings from 500 to 650 million Euro by the end of 2025, with full confidence.

### **Turnaround path | New governance structure**

For further unlocking value as the leading kidney care company, I have a clearly defined path of turning around the performance, and we have reshaped our strategy based on these insights.

Our strategic roadmap starts with having an optimal structure in place. This includes our already implemented new operating model, with the outlined FME25 savings, but also a simplified governance structure.

Regarding the governance structure, we proposed a change of the legal form to a German Stock corporation. It is a very elegant solution that allows Fresenius SE to realize the intended deconsolidation of our Company without triggering a change of control event. This would have had a prohibitive impact on financing.

Pending your approval at our Extraordinary General Meeting on July 14<sup>th</sup>, the change would simplify our governance structure, with only one Supervisory Board and one Management Board. This way the rights of the free float shareholders – so your rights - will be strengthened, management capacity within our Company will be freed up, and with Fresenius SE we will have an important anchor shareholder.

With your approval, we expect this change to be completed before the end of the year.



## **Focus on core business | Winning culture**

Another important element of our strategy was the review of our portfolio with the target to reduce distraction and focus on our core businesses. For each asset we have evaluated their growth potential as well as their strategic value to Fresenius Medical Care. This also includes adjustments to our R&D portfolio as well as a review of our manufacturing portfolio.

This is one of the clear steps towards a disciplined financial policy and ROIC focus. A rigorous approach to capital allocation is important. I have implemented a disciplined financial policy to drive the much-needed improvement in our return on invested capital.

But as mentioned earlier with the two major findings – it is imperative to have a winning culture in place to be able to achieve our strategic aspirations.

Starting with the top, we have reshaped the entire organization to ensure clear accountability. We have implemented change on all leadership levels to have the right skills and competences in place for our new operating model, and our new strategic aspirations.

At the heart of our winning culture is our commitment to diversity, equity, and inclusion, which benefits our patients, our employees and our business. It is imperative to be able to attract, retain and develop a world-class group of employees at all levels. We strive to become the employer of choice.

There is no question, after a challenging 2022 and as we execute on these plans, 2023 will be a year of level-setting for us.

## **Outlook | Return to earnings growth**

In 2023, our revenue will grow in the low-to-mid single digits, and we expect our operating income to stay flat or decline at a high single-digit percentage rate.

We knew that the first quarter of 2023 would be a very weak quarter. But we saw positive impacts of our turnaround efforts coming through and the first quarter came in better than expected.



We have delivered organic growth in both of our operating segments, with *Care Delivery* seeing improvement in volume trends and *Care Enablement* benefitting from a strong performance in critical care and home hemodialysis products.

Also, in the first quarter we have already executed on our portfolio optimization, have completed a series of clinic consolidations and are continuing to evaluate exits in unsustainable markets as well as assets in non-core business areas.

In 2024, we expect to return to earnings growth. And by 2025, we will target a significantly higher operating income margin in the range of 10 to 14 percent.

You have seen the significant changes we have made already, and the changes ahead of us, that were laid out in more detail at our Capital Markets Day last month.

We are just at the beginning of a new chapter in Fresenius Medical Care's history, and I am energized and excited about our clear transformational turnaround plan under execution, supported by our 125,000 employees around the world.

By 2025 Fresenius Medical Care will not only be a more agile and more resilient company, but also the partner of choice, setting the standard in kidney care with industry leading returns.

As mentioned, I am committed to turning around Fresenius Medical Care and returning us to profitable growth, and our commitment to you, our shareholders: We will unlock value as the leading kidney care company.

All the while, we will retain and never lose sight of our purpose-driven, patient-centric mission.

Thank you for your time today, for your trust in us, and for your ongoing support.