

**FRESENIUS MEDICAL CARE HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021, and January 1, 2021

Index of audited consolidated financial statements

Report of Independent Auditors	F-3
Consolidated statements of income for the years ended December 31, 2022, and 2021	F-5
Consolidated statements of comprehensive income for the years ended December 31, 2022, and 2021	F-6
Consolidated statements of financial position as of December 31, 2022, 2021 and January 1, 2021	F-7
Consolidated statements of cash flows for the years ended December 31, 2022, and 2021	F-8
Consolidated statements of shareholders' equity for the years ended December 31, 2022, and 2021	F-9
Notes to the consolidated financial statements	F-10



Report of Independent Auditors

To the Board of Directors of Fresenius Medical Care Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Fresenius Medical Care Holdings, Inc. and its subsidiaries (the “Company”), which comprise the consolidated statements of financial position as of December 31, 2022, December 31, 2021, and January 1, 2021, and the related consolidated statements of income, of comprehensive income, of shareholders’ equity and of cash flows for the years ended December 31, 2022 and 2021, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, December 31, 2021 and January 1, 2021 and the results of its operations and its cash flows for the years ended December 31, 2022 and 2021 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:



- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP
Boston, Massachusetts
June 16, 2023

**FRESENIUS MEDICAL CARE HOLDINGS, INC.,
AND SUBSIDIARIES**

Consolidated statements of income

in \$ thousands ("THOUS")

		For the year ended December 31,	
	Notes	2022	2021
Revenue:			
Health care services		13,029,039	13,002,566
Health care products		1,196,754	1,290,168
	5 a	14,225,793	14,292,734
Operating (income) expense:			
Costs of revenue: health care services		9,377,952	9,247,922
Costs of revenue: health care products		921,582	857,738
Selling, general and administrative expenses	5 b	2,812,995	2,427,059
Research and development expenses	5 c	69,174	61,045
(Income) loss from equity method investees		(2,612)	(3,144)
Remeasurement gain from InterWell Health LLC	4	(156,064)	—
		13,023,027	12,590,620
Operating income		1,202,766	1,702,114
Other (income) expense:			
Interest income	5 f	(22,646)	(26,886)
Interest expense	5 f	393,982	419,463
		371,336	392,577
Income before income taxes		831,430	1,309,537
Income tax expense	5 g	166,349	271,424
Net income		665,081	1,038,113
Net income attributable to noncontrolling interests		222,189	283,533
Net income attributable to Fresenius Medical Care Holdings, Inc.		442,892	754,580

The following notes are an integral part of the consolidated financial statements.

**FRESENIUS MEDICAL CARE HOLDINGS, INC.,
AND SUBSIDIARIES**

Consolidated statements of comprehensive income

in \$ THOUS

	Notes	For the year ended December 31, 2022	2021
Net income		665,081	1,038,113
Other comprehensive income (loss):			
Components that will not be reclassified to profit or loss:			
FVOCI equity investments	24	—	44,008
Actuarial gain on defined benefit pension plans	17, 24	26,698	6,203
Income tax (expense) benefit related to components of other comprehensive income not reclassified	24	(6,008)	(13,531)
		<u>20,690</u>	<u>36,680</u>
Components that may be reclassified subsequently to profit or loss:			
Gain (loss) related to foreign currency translation	24	(5,640)	(3,502)
FVOCI debt securities	24	(32,093)	(7,405)
Gain (loss) related to cash flow hedges	23, 24	2,791	(857)
Income tax (expense) benefit related to components of other comprehensive income that may be reclassified	24	8,477	2,068
		<u>(26,465)</u>	<u>(9,696)</u>
Other comprehensive loss, net of tax		<u>(5,775)</u>	<u>26,984</u>
Total comprehensive income		659,306	1,065,097
Comprehensive income attributable to noncontrolling interests		<u>222,189</u>	<u>283,533</u>
Comprehensive income attributable to Fresenius Medical Care Holdings, Inc.		<u>437,117</u>	<u>781,564</u>

The following notes are an integral part of the consolidated financial statements.

FRESENIUS MEDICAL CARE HOLDINGS, INC.,
AND SUBSIDIARIES

Consolidated statements of financial position

in \$ THOUS, except share data

	Notes	December 31, 2022	December 31, 2021	January 1, 2021
Assets				
Cash and cash equivalents	7	393,048	911,507	672,382
Trade accounts receivables from unrelated parties	8	1,953,773	1,868,344	1,756,911
Accounts receivable from related parties	6	31,548	4,062	1,102,715
Inventories	9	1,271,759	1,175,262	1,172,167
Income tax receivables		66,727	62,089	60,699
Short-term investments		146,574	130,939	192,923
Other current assets	10	507,722	558,445	709,238
Total current assets		4,371,151	4,710,648	5,667,035
Property, plant and equipment	11	2,632,239	2,810,848	2,880,917
Right-of-use assets	21	3,364,462	3,679,112	3,751,045
Intangible assets	12	1,159,323	1,219,531	1,280,960
Goodwill	12	14,490,993	13,821,705	13,362,185
Long-term investments		179,303	195,994	170,696
Investment in equity method investees		140,466	272,530	303,688
Other non-current assets	23	226,868	240,578	145,814
Total non-current assets		22,193,654	22,240,298	21,895,305
Total assets		26,564,805	26,950,946	27,562,340
Liabilities				
Accounts payable to unrelated parties		570,779	491,687	495,866
Accounts payable to related parties	6	—	3,053	72,362
Current provisions and other current liabilities	13	2,467,914	3,143,589	3,169,149
Short-term debt and current portion of long-term debt with related parties	14, 15	921,674	775,102	785,700
Current portion of long-term debt	15	156,523	35,662	148,607
Current portion lease liabilities from unrelated parties	21	545,102	565,891	565,319
Income tax liabilities	5 g	5,966	7,351	—
Total current liabilities		4,667,958	5,022,335	5,237,003
Long-term debt from unrelated parties, less current portion	15	206,716	140,741	1,128,945
Long-term debt from related parties	15	5,524,962	5,596,458	4,708,220
Lease liabilities from unrelated parties, less current portion	21	3,288,684	3,558,200	3,599,600
Non-current provisions and other non-current liabilities	16	1,194,683	727,809	1,078,437
Deferred taxes	5 g	910,774	963,280	913,185
Total non-current liabilities		11,125,819	10,986,488	11,428,387
Total liabilities		15,793,777	16,008,823	16,665,390
Shareholders' equity:				
Ordinary shares, no par value, \$1.00 nominal value, 300,000,000 shares authorized, 83,985,000 issued and outstanding as of December 31, 2022 and 2021 and as of January 1, 2021	18	83,985	83,985	83,985
Additional paid-in capital	18	2,839,443	2,385,638	2,368,445
Retained earnings	18	6,613,408	7,336,130	7,372,650
Accumulated other comprehensive loss	24	(176,309)	(170,534)	(158,356)
Total Fresenius Medical Care Holdings Inc. shareholder's equity		9,360,527	9,635,219	9,666,724
Noncontrolling interests	18	1,410,501	1,306,904	1,230,226
Total equity		10,771,028	10,942,123	10,896,950
Total liabilities and equity		26,564,805	26,950,946	27,562,340

The following notes are an integral part of the consolidated financial statements.

**FRESENIUS MEDICAL CARE HOLDINGS, INC.,
AND SUBSIDIARIES**

Consolidated statements of cash flows

in \$ THOUS

		For the year ended December 31,	
	Notes	2022	2021
Cash flows from operating activities:			
Net income		665,081	1,038,113
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization and impairment loss	11, 12, 21	1,353,013	1,307,643
Change in deferred income taxes	5g	(20,005)	59,455
(Gain) loss from the sale of property and equipment, investments, right-of-use assets and divestitures	4, 25	(197,763)	(76,700)
Loss on equity investment		106,003	103,645
Net interest		368,524	354,402
Hedging gain		—	(50,323)
(Gain) loss on forward sale and currency exchange agreements	23	(53)	50,465
Changes in operating assets and liabilities, net of effects of purchase acquisitions and divestitures:			
Increase in trade accounts receivable, net		(86,471)	(102,641)
Increase in inventories, net		(96,211)	(2,028)
(Increase) Decrease in other current, non-current assets and deferred charges		(4,314)	72,464
Decrease in accounts payable, accrued liabilities, other liabilities, and lease liabilities		(432,642)	(399,862)
(Decrease) Increase in accrued income taxes		187,395	243,061
Net changes due to/from related parties		(1,336)	(68,067)
Interest paid	25	(386,553)	(404,875)
Interest Received	25	14,312	21,276
Paid income taxes	25	(197,134)	(240,292)
Other, net		6,856	(11,345)
Net cash provided by (used in) operating activities		1,278,702	1,894,391
Cash flows from investing activities:			
Capital expenditures		(396,908)	(524,043)
Acquisitions and investments, net of cash received	4, 25	(35,459)	(432,539)
Proceeds from the sale of property and equipment	11	908	1,216
Proceeds from divestitures	4, 5, 25	3,258	1,168
Proceeds from the sale of investments	23	35,880	111,993
Contributions to equity investments	23	—	(13,916)
Other		10,771	22,264
Net cash provided by (used in) investing activities		(381,550)	(833,857)
Cash flows from financing activities:			
Proceeds from short-term external debt	14	3,717,202	223,778
Repayments of short-term external debt	14	(3,599,495)	(1,329,867)
Proceeds from long-term external debt	15	2,215,750	23,898
Repayment of long-term external debt	15	(2,120,562)	(25,684)
Proceeds from short-term related party debt	6	—	104,765
Repayment of short-term related party debt	6	(849,787)	(870,918)
Proceeds from long-term related party debt	6	129,895	1,709,172
Repayment of long-term related party debt	6	(5,423)	(1,033)
Debt issuance costs		—	(11,956)
Dividends paid	14, 18	(7,786)	(800,000)
Net change in loans to related parties		(27,486)	1,098,653
Distributions to noncontrolling interests		(293,215)	(335,524)
Contributions from noncontrolling interests		20,344	38,531
Proceeds from sale of noncontrolling interests		44,167	25,674
Purchases of noncontrolling interests		(9,881)	(37,294)
Repayment of lease liabilities	21	(625,777)	(631,825)
Net cash provided by (used in) financing activities		(1,412,054)	(819,630)
Effects of changes in foreign exchange rates		(3,557)	(1,778)
Change in cash and cash equivalents		(518,459)	239,126
Cash and cash equivalents at beginning of year	7	911,507	672,381
Cash and cash equivalents at end of year	7	393,048	911,507
Supplemental noncash financing activity:			
Issuance of promissory note in lieu of cash dividend		700,000	—

The following notes are an integral part of the consolidated financial statements.

**FRESENIUS MEDICAL CARE HOLDINGS, INC.,
AND SUBSIDIARIES**

Consolidated statements of shareholders' equity

in \$ THOUS, except share data

		Ordinary shares				Accumulated other comprehensive loss						
	Notes	Number of shares	Amount	Additional paid-in capital	Retained earnings	Foreign currency translation	Cash flow hedges	Pensions	Fair value changes	Total FMCH, Inc. shareholder's equity	Noncontrolling interests	Total equity
Balance at January 1, 2021		83,985,000	83,985	2,368,445	7,372,650	2,425	—	(79,342)	(81,439)	9,666,724	1,230,226	10,896,950
	20	—	—	378	—	—	—	—	—	378	—	378
	18	—	—	—	(800,000)	—	—	—	—	(800,000)	—	(800,000)
	18	—	—	—	—	—	—	—	—	—	(335,524)	(335,524)
		—	—	16,829	—	—	—	—	—	16,829	90,138	106,967
		—	—	—	—	—	—	—	—	—	38,531	38,531
		—	—	—	39,056	—	—	—	(39,056)	—	—	—
	23	—	—	—	(28,651)	—	—	—	—	(28,651)	—	(28,651)
		—	—	—	754,580	—	—	—	—	754,580	283,533	1,038,113
	24	—	—	—	—	(3,502)	—	—	—	(3,502)	—	(3,502)
	24	—	—	—	—	—	(751)	—	—	(751)	—	(751)
	17	—	—	—	—	—	—	4,166	—	4,166	—	4,166
	17	—	—	—	—	—	—	—	27,071	27,071	—	27,071
		—	—	(14)	(1,505)	(106)	—	—	—	(1,625)	—	(1,625)
Balance at December 31, 2021		83,985,000	83,985	2,385,638	7,336,130	(1,183)	(751)	(75,176)	(93,424)	9,635,219	1,306,904	10,942,123
	20	—	—	238	—	—	—	—	—	238	—	238
	18	—	—	—	(707,786)	—	—	—	—	(707,786)	—	(707,786)
	18	—	—	—	—	—	—	—	—	—	(293,216)	(293,216)
		—	—	453,539	—	—	—	—	—	453,539	154,280	607,819
		—	—	—	—	—	—	—	—	—	20,344	20,344
		—	—	—	—	—	—	—	—	—	—	—
	23	—	—	—	(453,844)	—	—	—	—	(453,844)	—	(453,844)
		—	—	—	442,892	—	—	—	—	442,892	222,189	665,081
	24	—	—	—	—	(5,640)	—	—	—	(5,640)	—	(5,640)
	24	—	—	—	—	—	2,791	—	—	2,791	—	2,791
	17	—	—	—	—	—	—	20,690	—	20,690	—	20,690
	17	—	—	—	—	—	—	—	(23,616)	(23,616)	—	(23,616)
		—	—	28	(3,984)	—	—	—	—	(3,956)	—	(3,956)
Balance at December 31, 2022		83,985,000	83,985	2,839,443	6,613,408	(6,823)	2,040	(54,486)	(117,040)	9,360,527	1,410,501	10,771,028

The following notes are an integral part of the consolidated financial statements

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

1. The Company, basis of presentation and significant accounting policies

The Company

Fresenius Medical Care Holdings, Inc. (the "Company" or "FMCH"), a New York corporation, is a subsidiary of Fresenius Medical Care AG & Co. KGaA, a German partnership limited by shares ("FMCAG & KGaA" or the "Parent Company"). The General Partner refers to Fresenius Medical Care Management AG, FMC-AG & Co. KGaA's general partner and a wholly owned subsidiary of Fresenius SE. Management Board and our Management Board refer to the members of the management board of Fresenius Medical Care Management AG ("Management AG") and, except as otherwise specified, Supervisory Board and our Supervisory Board refer to the supervisory board of FMC-AG & Co. KGaA.

The Company provides dialysis care and related services to persons who suffer from End-Stage Kidney Disease ("ESKD"), as well as other health care services. The Company also develops, manufactures and distributes a wide variety of health care products. The Company's health care products include hemodialysis machines, peritoneal dialysis cyclers, dialyzers, peritoneal dialysis solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals, systems for water treatment, acute cardiopulmonary and apheresis products. The Company supplies dialysis clinics it owns, operates or manages with a broad range of products and also sells dialysis products to other dialysis service providers. The Company's other health care services include value and risk-based care programs, pharmacy services, vascular, cardiovascular and endovascular specialty services as well as ambulatory surgery center services, physician nephrology and cardiology services and ambulant treatment services.

Rounding adjustments applied to individual numbers and percentages shown in this and other reports may result in these figures differing immaterially from their absolute values. Some figures (including percentages) in this report have been rounded in accordance with commercial rounding conventions. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in this report. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in this report due to rounding in accordance with commercial rounding conventions. A dash (–) indicates that no data were reported for a specific line item in the relevant financial year or period, while a zero (0) is used when the pertinent figure, after rounding, amounts to zero.

Basis of presentation

The consolidated financial statements of FMCH have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") has been applied.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Such financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments are of a normal recurring nature. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in all future periods affected.

In order to improve clarity of presentation, various items are aggregated in the consolidated statements of financial position and consolidated statements of income. These items are analyzed separately in the notes where this provides useful information to the users of the consolidated financial statements.

The consolidated statements of financial position contain all information required to be disclosed by *International Accounting Standards 1, Presentation of Financial Statements* ("IAS 1") and is classified on the basis of the liquidity of assets and liabilities. The consolidated statements of income are classified using the cost-of-sales accounting format.

At June 16, 2023, the Management Board authorized the consolidated financial statements for issue and passed them through to the Supervisory Board for review and authorization.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Significant accounting policies

a) Principles of consolidation and composition of the group

The financial statements of consolidated entities have been prepared using uniform accounting methods in accordance with IFRS 10, *Consolidated Financial Statements* ("IFRS 10"). Acquisitions of companies are accounted for under the acquisition method.

The consolidated financial statements include all subsidiaries according to IFRS 10 over which the Company has control. FMCH controls an entity if it has power over the entity through existing rights that give the Company the current ability to direct the activities that significantly affect the entity's return. In addition, the Company is exposed to, or has rights to, variable returns from the involvement with the entity and the Company has the ability to use its power over the entity to affect the amount of the Company's return.

Equity method accounting is applied in accordance with IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Generally, equity method investees are entities in which FMCH, directly or indirectly, holds 50% or less of the voting power and can exercise significant influence over their financial and operating policies. There are no investments in equity method investees that are individually material to the Company.

Acquisitions of companies are accounted for in accordance with IFRS 3, *Business Combinations* ("IFRS 3") at the date of acquisition. Initially, all identifiable assets and liabilities of subsidiaries as well as the noncontrolling interests are recognized at their fair values. The cost is then compared with the fair value of the net assets acquired. Any remaining balance is recognized as goodwill and is tested at least once a year for impairment. Generally, adjustments made to the fair value of identifiable assets and liabilities subsequent to final purchase price allocation are recognized immediately in profit or loss.

Intercompany revenues, expenses, income, receivables, payables, accruals, provisions and commitments and contingencies, are eliminated. Profits and losses on items of property, plant and equipment and inventory acquired from other group entities are also eliminated.

Deferred tax assets and liabilities are recognized on temporary differences resulting from consolidation procedures.

Noncontrolling interest ("NCI") is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent and is recognized at its fair value at the date of first consolidation using the full goodwill method. Profits and losses attributable to the noncontrolling interests are separately disclosed in the consolidated statements of income. Summarized financial information relating to InterWell Topco L.P. ("NewCo"), can be found in note 4. The book value of these noncontrolling interests on December 31, 2022 was \$186,789.

The Company writes put options on certain NCI. A portion of these put options related to dialysis clinics in which nephrologists or nephrology groups own an equity interest. In addition, as part of the transaction with Cricket Health, Inc. ("Cricket") and InterWell Health LLC, the Company also granted put options to minority shareholders of the newly created value-based kidney care entity (see note 4 for further information). Generally, the put options associated with this business model are valid for an unlimited time. Accordingly, the put options represent a long-term investment into a dialysis clinic for the NCI holder. The put options provide for settlement in cash. For these put options, IAS 32, *Financial Instruments: Presentation* ("IAS 32") paragraph 23 requires the Company to recognize a liability for the present value of the exercise price of the option. The put option liability is recorded in other current provisions and other current liabilities and other non-current provisions and other non-current liabilities at present value of the redemption amount at the balance sheet date. The Company believes the accounting treatment of the changes to the put option liability under IFRS to this date has not been finally clarified. In the absence of IFRS guidance specifically applicable to the accounting for put options on NCI, the Company, in line with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") paragraph 10, applied the present access method. According to the present access method, NCI are recorded in equity when the risks and rewards of ownership reside with the NCI holders. The initial recognition of the put option liability, as well as valuation differences, is recorded in equity with no impact to the income statement (see note 1 h). This presentation results in information that is relevant to the economic decision-making needs of users and to provide reliable financial information as the Company considers these NCI with written put options as equity holders and accordingly attributes net income to NCI. For further information regarding the valuation of put option liabilities, see note 23.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The principal subsidiaries of the Company are those with the most significant contribution to the Company's revenue, net income or net assets. The Company's interest in these subsidiaries for the years ended December 31, 2022, and 2021 are listed in the table below:

Principal subsidiaries

Name	Country	Main activity	Ownership
InterWell Health LLC	USA	Value-based care	75.44%
National Medical Care, Inc.	USA	Provides dialysis treatment and related dialysis care services	100%
Fresenius USA Marketing, Inc.	USA	Sells and markets a wide variety of health care products	100%
Fresenius USA Manufacturing, Inc.	USA	Develops and manufactures a wide variety of health care products	100%
National Cardiovascular Partners, LP	USA	Cardiovascular and endovascular specialty services	100%
SRC Holding Company, Inc., all Delaware corporations	USA	Laboratory services	100%
Fresenius USA, Inc., a Massachusetts corporation.	USA	Manufacturing	100%

b) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and all short-term investments (measured at fair value through profit and loss) with original maturities of up to three months. Short-term investments are highly liquid and readily convertible into known amounts of cash. The risk of changes in value is insignificant.

c) Trade accounts and other receivables from unrelated parties

Trade accounts and other receivables from unrelated parties are recognized initially at fair value and subsequently at amortized cost. For information regarding expected credit losses, see note 3 c).

d) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or net realizable value (see note 9). Costs included in inventories are based on invoiced costs and/or production costs as applicable. Included in production costs are material, direct labor and production overhead, including depreciation charges.

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (see note 11). Maintenance and repair costs (day-to-day servicing) are expensed as incurred. The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing parts and major inspections if it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years for buildings and improvements with a weighted average life of 14 years and 3 to 18 years for machinery and equipment with a weighted average life of 10 years. Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment.

f) Leases

A lease is defined as a contract that conveys the right to use an underlying asset for a period of time in exchange for consideration. According to IFRS 16, *Leases* ("IFRS 16"), a contract is or contains a lease if:

- the underlying asset is identified in the contract, and

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

- the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Under IFRS 16, the Company is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments for almost all leases.

The Company applies both the short-term and low-value lease exemption. These leases are exempt from balance sheet recognition and lease payments will be recognized as expenses over the lease term.

IFRS 16 is not applied to leases of intangible assets.

Lease liabilities

Lease liabilities are initially recognized at the present value of the following payments:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments (linked to an index or interest rate),
- expected payments under residual value guarantees,
- the exercise price of purchase options, where exercise is reasonably certain,
- lease payments in optional renewal periods, where exercise of extension options is reasonably certain, and
- penalty payments for the termination of a lease, if the lease term reflects the exercise of the respective termination option.

Lease payments are discounted using the implicit interest rate underlying the lease if this rate can be readily determined. Otherwise, the incremental borrowing rate of the lessee is used as the discount rate.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. Furthermore, lease liabilities may be remeasured due to lease modifications or reassessments of the lease.

For lease contracts that include both lease and non-lease components that are not separable from lease components, no allocation is performed. Each lease component and any associated non-lease components are accounted for as a single lease. If the lease contracts include the lease and non-lease costs separately, the lease contract costs are divided into lease and non-lease components.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the respective lease. Right-of-use assets are stated at cost less accumulated depreciation. Upon initial recognition, cost comprises of:

- the initial lease liability amount,
- initial direct costs incurred when entering into the lease
- (lease) payments before commencement date of the respective lease, and
- an estimate of costs to dismantle and remove the underlying asset,
- less any lease incentives received.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. Where a lease agreement includes a transfer of ownership at the end of the lease term or the exercise of a purchase option is deemed reasonably certain, right-of-use assets are depreciated over the useful life of the underlying asset using the straight-line method. In addition, right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements.

Right-of-use assets are classified into right-of-use assets relating to land, buildings and improvements or machinery and equipment. In addition, prepayments on right-of-use assets are presented separately (see note 21).

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

g) Intangible assets and goodwill

Intangible assets such as non-compete agreements, technology, distribution agreements, patents, licenses to treat, licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses, trade names, application software, acute care agreements and customer relationships are recognized and reported apart from goodwill (see note 12). If acquired, those intangible assets are recorded at estimated fair value at the date of the acquisition. Patient relationships, however, are not reported as separate intangible assets due to the missing contractual basis but are part of goodwill.

Expenditures related to application software, either hosted by the Company or within a software as a service arrangement, that fully meet the criteria for the recognition of an intangible asset set out in IAS 38, *Intangible Assets* ("IAS 38") are capitalized as intangible assets.

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The Company identified certain trade names as intangible assets with indefinite useful lives because there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Company.

Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The Company amortizes non-compete agreements over their useful lives which, on average, are 7 years. Technology is amortized over its average useful lives of 12 years. Internally developed intangibles are amortized on a straight-line basis over their average useful lives of 5 years. Licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their useful lives of 12 to 15 years. Customer relationships are amortized over their average useful lives of 18 years. All other intangible assets are amortized over their weighted average useful lives of 12 years. The weighted average useful life of all amortizable intangible assets is 13 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment (see note 1 n).

To perform the annual impairment test of goodwill, the Company identified its groups of cash generating units ("CGU"s) and determined their carrying value by assigning the operating assets and liabilities, including the existing goodwill and intangible assets, to those groups of CGUs. Groups of CGUs reflect the lowest level on which goodwill is monitored for internal management purposes.

For the purpose of goodwill impairment testing, all the Company's assets and liabilities are allocated to the identified CGU. At least once a year, the Company compares the recoverable amount of the CGU to the CGU's carrying amount. The recoverable amount is defined as the higher of the value in use or the fair value less cost of disposal of a CGU. In a first step, the value in use of the CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount and the fair value less cost of disposal is not estimated to be higher than the value in use, the difference is recorded as an impairment of the carrying amount of the goodwill.

For further information see note 3 a).

h) Financial instruments

The Company classifies its financial instruments in accordance with IFRS 9, *Financial Instruments* ("IFRS 9") in the following measurement categories: at amortized cost, at fair value through profit and loss ("FVPL") and at fair value through other comprehensive income ("FVOCI").

Financial assets are classified depending on the business model in which the financial assets are held and the contractual terms of the cash flows. Financial assets are only reclassified when the business model for managing those assets changes. During the reporting period, no financial instruments were reclassified. Purchases and sales of financial assets are recognized or derecognized on the trading date. The Company makes use of the fair value option, which allows financial instruments to be classified at FVPL upon initial recognition, in very rare cases. At initial recognition financial assets and financial liabilities are measured at fair value. Subsequent measurement is either at cost, FVPL or FVOCI.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

In general, financial liabilities are classified and subsequently measured at amortized cost, with the exception of contingent consideration resulting from a business combination, put option liabilities as well as derivative financial liabilities.

Investments in equity instruments are recognized and subsequently measured at fair value. The Company's equity investments are not held for trading. In general, changes in the fair value of equity investments are recognized in the income statement. However, at initial recognition the Company elected, on an instrument-by-instrument basis, to represent subsequent changes in the fair value of individual strategic equity investments in other comprehensive income (loss) ("OCI").

The Company invested in several debt securities, with the objective to achieve both collecting contractual cash flows and selling the financial assets. All debt securities are consequently measured at fair value. Some of these securities give rise on specified dates to cash flows that are solely payments of principal and interest. These securities are subsequently measured at FVOCI. Other securities are measured at FVPL.

The Company, as option writer of existing put options, can be obligated to purchase the noncontrolling interests held by third parties. The obligations are in the form of put liabilities and are exercisable at the third-party owners' discretion within specified periods or upon the occurrence of certain events as outlined in each specific put option. If these put option liabilities were exercised, the Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The initial recognition and subsequent measurement are recognized in equity of the Company. For further information related to the estimation of these fair values, see note 23.

Certain put option arrangements contain contingent triggers based primarily on changes in legislation, which the Company has concluded are not genuine using the guidance in IFRS 9 B4.1.18 and IAS 32.25. The Company considers this subset of contracts as being non-genuine as the trigger in these clauses is considered to be an event that is extremely rare, highly abnormal and very unlikely to occur. Therefore, the Company has not recorded a liability on the consolidated statements of financial position relating to this subset of puts option contracts.

Derivative financial instruments which primarily include foreign currency forward contracts, are recognized as assets or liabilities at fair value in the consolidated statements of financial position (see note 23).

Changes in the fair value of derivative financial instruments designated and qualifying as cash flow hedges are recognized in accumulated OCI ("AOCI") in shareholders' equity. The Company only designated the change in fair value of the spot element of foreign exchange forward contracts as the hedging instrument in cash flow hedging relationships and uses a hedge ratio for designated risks of 1:1. The forward elements are separately accounted for as cost of hedging in a separate component within AOCI. The ineffective portion of cash flow hedge is recognized in the income statement.

In connection with intercompany loans in foreign currency, the Company uses foreign exchange swaps to assure that no foreign exchange risks arise from those loans, which, if they qualify for cash flow hedge accounting, are also reported in AOCI and subsequently reclassified to selling, general and administrative expenses. The amounts recorded in AOCI are reclassified in the same period in which the hedged transaction affects earnings. Amounts recorded in AOCI for cash flow hedges related to product purchases from third parties are removed from AOCI and included directly in the carrying amount of the asset at initial recognition. Product purchases and sales designated in a cash flow hedging relationship are expected to affect profit and loss in the same period in which the cash flows occur. The critical terms of the forward exchange contracts generally align with the hedged item. The economic relationship between forward exchange contracts and the hedged forecast transaction is based on the timing, currency and amount of the hedged cash flows. Ineffectiveness could arise in case the timing of the hedged transaction or the credit default risk changes.

The change in fair value of derivatives that do not qualify for hedge accounting is recorded in the income statement and usually offsets the change in value recorded in the income statement for the underlying asset or liability.

i) Impairment of financial assets

The impairment of financial assets is based on the expected credit loss approach, as introduced by IFRS 9. The expected credit loss approach requires that all impacted financial assets will carry a loss allowance based on their expected credit losses. Expected credit losses are a probability-weighted estimate of credit losses over the contractual life of the financial assets.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

This model comprises a three-stage approach. Upon recognition, the Company shall recognize losses that are expected within the next 12 months. If credit risk deteriorates significantly, from that time, impairment losses shall amount to lifetime expected losses. When assessing for significant increases in credit risk, the Company shall compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. The Company should consider reasonable and supportable information including historic loss rates, present developments such as liquidity issues and information about future economic conditions, to ensure foreseeable changes in the customer-specific or macroeconomic environment are considered. Separately, there is the rebuttable presumption that the credit risk has increased significantly since the initial recognition when contractual payments are overdue by more than 30 days.

In case of objective evidence of impairment there is an assignment to stage 3. The assignment of a financial asset to stage 3 should rely on qualitative knowledge on the customers' unfavorable financial position (for example bankruptcy, lawsuits with private or public payers), or quantitative criteria, based on an individual maturity analysis. Independently, there is an assignment to stage 3 if the contractual payments are overdue by more than 360 days. When a counterpart defaults, all financial assets against this counterpart are considered impaired. The definition of default is mainly based on payment practices specific to individual regions and businesses.

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, contract assets and lease receivables as well as in investments in debt securities measured at fair value through other comprehensive income. The financial assets mainly comprise of accounts receivable as well as cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective instrument. Financial assets whose expected credit loss is not assessed individually are grouped on the basis of geographical regions and the impairment is generally assessed on the basis of macroeconomic indicators such as credit default swaps.

For accounts receivable, the Company uses the simplified method which requires recognizing lifetime expected credit losses at inception. However, expected credit losses on cash and cash equivalents are measured according to the general method based on IFRS 9.

Based on the external credit ratings of the counterparties the Company considers that its cash and cash equivalents have a low credit risk (as the counterparties are generally investment grade). A significant increase in credit risk will be assessed based on qualitative as well as quantitative information.

j) Foreign currency translation

For purposes of these consolidated financial statements, the United States dollar ("US dollar") is the reporting currency. Substantially all assets and liabilities of foreign subsidiaries that use a functional currency other than the US dollar are translated at year-end exchange rates, while profit and loss positions are translated at average exchange rates. Adjustments for foreign currency translation fluctuations are excluded from net earnings and are reported in AOCI. In addition, the translation adjustments of certain intercompany borrowings, which are of a long-term nature, are reported in AOCI. Transactions in foreign currencies recorded by subsidiaries are accounted for at the prevailing spot rate on the date of the respective transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are generally recognized in profit and loss. Financial instruments denominated in a foreign currency are revalued at the spot rate as of the date of the consolidated statements of financial position.

k) Revenue recognition

For both health care services revenue and health care products revenue, amounts billed to patients, third party payors and customers are recorded net of contractual allowances, discounts or rebates to reflect the estimated amounts to be receivable from these payors.

Health care services

Health care services revenue, other than insurance revenues discussed below, are recognized on the date the patient receives treatment and includes amounts related to certain services, products and supplies utilized in providing such treatment at an amount to which the Company expects to be entitled. The patient is obligated to pay for health care services at amounts estimated to be receivable based upon the Company's standard rates or at rates determined under reimbursement arrangements. These arrangements are generally with third party payors, such as Medicare, Medicaid or commercial insurers.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

For services performed for patients where the collection of the billed amount or a portion of the billed amount cannot be determined at the time services are performed, the Company concludes that the consideration is variable ("implicit price concession") and records the difference between the billed amount and the amount estimated to be collectible as a reduction to health care services revenue. Implicit price concessions include such items as amounts due from patients without adequate insurance coverage, patient co-payment and deductible amounts due from patients with health care coverage. The Company determines implicit price concessions based primarily upon past collection history. Upon receipt of new information relevant for the determination of the implicit price concession, the Company constrains, or adjusts the constraints for the variable consideration of the transaction price.

The Company has entered into sub-capitation and other shared savings arrangements with certain payors to provide care to certain ESKD and chronic kidney disease patients. Under these arrangements, a baseline per patient per month amount is established. If the Company provides complete care for less than the baseline, it retains the difference. If the cost of complete care exceeds the baseline, the Company may owe the payor the difference.

In the U.S., the Company generates revenue from insurance contracts in accordance with IFRS 4, *Insurance Contracts* ("IFRS 4"). Insurance premium revenue is recognized as earned each month and risk adjustments are offset against revenue.

Revenue from insurance contracts is disclosed as part of "Other revenue" separately from "Revenue from contracts with customers" in the notes to the consolidated financial statements – refer to note 5 a).

Health care products

In the health care product business, major revenues are generated from the sale of dialysis machines and water treatment systems, home hemodialysis products, disposable products and maintenance agreements for the Company's health care products. Revenues from the sale of dialysis machines and water treatment system are typically recognized upon installation and provision of the necessary technical instructions as only thereafter the customer obtains control of the medical device. A small portion of the Company's revenue is recognized from sales of dialysis machines, home hemodialysis products and other products used for in-center hemodialysis treatment to distributors. When the distributor is the principal in the contract, the revenue allocated to the machine or the products will be recognized upon transfer of control to the distributor. In case the Company is committed to perform the installation, revenue allocated to the installation, as a separate performance obligation, would be recorded upon installation of the machine at the end-customers' premises. In case the distributor is only an agent in the contract, revenue for sale of the machine would be recorded upon installation. Under consignment arrangements revenue is recognized upon withdrawal of the products by the customer.

Maintenance is provided over time, and as such revenue is typically recognized on a straight-line basis as the customer is simultaneously receiving and consuming the benefits provided by the Company's performance.

All other dialysis and non-dialysis product revenues are recognized upon transfer of control to the customer. Product revenues are normally based upon pre-determined rates that are established by contractual arrangement.

For certain home-dialysis products the Company offers month-to-month rental arrangements, where revenue is recognized on a monthly basis.

IFRS 15 specifically excludes leases from the scope of the revenue standard. The transaction price of contracts which include lease components is allocated in accordance with IFRS 15. Revenue is recognized separately for the lease and the non-lease components of the contract.

l) Research and development expenses

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge. Development is the technical and commercial implementation of research results and takes place before the start of commercial production or use. Research costs are expensed as incurred. Development costs that fully meet the criteria for the recognition of an intangible asset set out in IAS 38 are capitalized as intangible asset.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

m) Income taxes

Current taxes are calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the single entity's financial statement carrying amounts of existing assets and liabilities and their respective tax basis, tax credits and tax loss carryforwards which are probable to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. A change in tax rate for the calculation of deferred tax assets and liabilities is recognized in the period the new laws are enacted or substantively enacted. The effects of the adjustment are generally recognized in the income statement. The effects of the adjustment are recognized in equity, if the temporary differences are related to items directly recognized in equity.

Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. In addition, deferred tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. A deferred tax asset is recognized to the extent that the utilization of parts or all of it is probable because sufficient taxable profit will be available (see note 5 g). The determination of future taxable income is based on assumptions on future market conditions and future profits of FMCH and considers all currently available information as well as the level of historical taxable income. In addition, the determination of the recoverable amount of deferred tax assets considers implemented tax strategies.

With respect to the interpretation of tax laws, the amount and the timing of future taxable income, complex tax rules may lead to uncertainties in tax treatments. The Company recognizes assets and liabilities for uncertain tax treatments based on reasonable estimates to the extent it is probable the tax will be recovered or that the tax will be payable, respectively.

Interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37, *Provisions, Contingent Liabilities and Assets* ("IAS 37"). Under IAS 37, penalties related to income taxes, including uncertain tax treatments, are recorded within selling, general and administrative expense. Additionally, in accordance with IAS 37, interest related to income taxes, including uncertain tax treatments, are recorded within other (income) expense.

n) Impairment

The Company reviews the carrying amount of its property, plant and equipment, its intangible assets with definite useful lives, its right-of-use assets as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the asset's recoverable amount in accordance with IAS 36, *Impairment of Assets* ("IAS 36"). The fair value less cost of disposal of an asset is estimated as its net realizable value. The value in use is the present value of future cash flows expected to be derived from the relevant asset. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of the corresponding CGU.

Impairment losses, except impairment losses recognized on goodwill, are reversed up to the amount of the amortized acquisition cost, as soon as the reasons for impairment no longer exist.

o) Debt issuance costs

Debt issuance costs related to a recognized debt liability are presented on the consolidated statements of financial position as a direct deduction from the carrying amount of that debt liability. Debt issuance costs related to undrawn credit facilities are presented in Other assets. These costs are amortized over the term of the related obligation or credit facility. For further information see note 15.

p) Self-insurance programs

See note 3 d).

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

q) Concentration risk

The Company is engaged in the manufacture and sale of products for all forms of kidney dialysis, principally to health care providers throughout the world, and in providing kidney dialysis treatment as well as providing other health care services. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

Revenues which were earned and subject to regulations under Medicare and Medicaid, governmental health care programs administered by the U.S. government, were approximately 33.8%, and 36.5% of the Company's revenues in 2022, and 2021, respectively.

See note 3 c) for concentration risks of debtors or group of debtors as well as note 9 for discussion of suppliers with long-term purchase commitments.

r) Legal contingencies

See note 3 b).

s) Other provisions

In accordance with IAS 37, accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future and the required amount can be reliably estimated. Provisions by their nature are more uncertain than most other items in the consolidated statements of financial position.

Non-current provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation. The applied discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

t) Employee benefit plans

Pension obligations for post-employment benefits are measured in accordance with IAS 19, *Employee Benefits* ("IAS 19"), using the projected unit credit method, taking into account future salary and trends for pension increase.

The Company uses December 31 as the measurement date when measuring the net pension liability.

For the Company's funded benefit plans the defined benefit obligation is offset against the fair value of plan assets (net pension liability). Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. A pension liability is recognized in the consolidated statements of financial position if the defined benefit obligation exceeds the fair value of plan assets. A pension asset is recognized (and reported under "Other non-current assets" in the consolidated statements of financial position) if the fair value of plan assets exceeds the defined benefit obligation and if the Company has a right of refund against the fund or a right to reduce future payments to the fund.

Net interest costs are calculated by multiplying the benefit obligation (fair value of plan assets) at beginning of the year with the discount rate utilized in determining the benefit obligation.

Remeasurements include actuarial gains and losses resulting from the evaluation of the defined benefit obligation as well as from the difference between actual investment returns and the return implied by the net interest cost. In the event of a surplus for a defined benefit pension plan remeasurements can also contain the effect from the asset ceiling, as far as this effect is not included in net interest costs.

Remeasurements are recognized in AOCI completely. Remeasurements may not be reclassified in subsequent periods. Components of net periodic benefit cost are recognized in profit and loss of the period.

u) Shared-based plans

The grant date fair value of stock options and convertible equity instruments that are settled by delivering equity instruments granted to certain employees of the Company and its subsidiaries by FMCH is measured in accordance with IFRS 2, *Share-based Payment* ("IFRS 2") using the binomial option pricing model and recognized as expense over the vesting period of the stock option plans. For certain exceptions, as defined in the respective plan terms, a shorter vesting period may apply after which the stock options will not forfeit in any way. In such cases the vesting period is shortened accordingly.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The balance sheet date fair value of cash-settled performance shares granted to the Management Board and executive employees of the Company is calculated using the Monte Carlo pricing model in accordance with IFRS 2. The corresponding liability based on the balance sheet date fair value is accrued over the vesting periods of the performance share plans. For certain exceptions a shorter vesting period may apply after which the performance shares will not forfeit in any way. In such cases the vesting period is shortened accordingly.

v) Government grants

In accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, government grants, including non-monetary grants at fair value, are recognized only when there is reasonable assurance that the Company will comply with all conditions attached to the grant and that the grants will be received. Government grants or government assistance are recognized directly against the respective qualifying expense in either the cost of revenue line item or selling, general and administrative expense line item within the consolidated statements of income. Amounts received for which a respective cost is not yet incurred are recorded as a liability on the Company's consolidated statements of financial position and offset against all qualifying costs that are incurred in future periods.

The Company and its patient population continued to be impacted by severe acute respiratory syndrome coronavirus 2 ("COVID-19"). See note 5 h) for further details.

w) Recent pronouncements

Recently implemented accounting pronouncements

The Company has prepared its consolidated financial statements at and for the year ended December 31, 2022, in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2022. For the year ended December 31, 2022, there were no recently implemented accounting pronouncements that had a material effect on the Company's consolidated financial statements.

Recent accounting pronouncements not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below.

IFRS 17, Insurance Contracts

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*. In June 2020 and December 2021, further amendments were published. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure related to the issuance of insurance contracts. IFRS 17 replaces IFRS 4, *Insurance Contracts*, which was brought in as an interim standard in 2004. IFRS 4 permitted the use of national accounting standards for the accounting of insurance contracts under IFRS. As a result of the varied application for insurance contracts there was a lack of comparability among peer groups. IFRS 17 eliminates this diversity in practice by requiring all insurance contracts to be accounted for using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

Based on an assessment performed during 2022, the Company believes that the premium allocation approach under IFRS 17 is the most appropriate measurement model. On initial recognition of the liability for incurred claims, the estimation and valuation process remains unchanged as compared to the application of IFRS 4. Regarding the measurement of the liability for the remaining coverage, the liability is equal to the premiums received less any insurance acquisition cash flows. The Company does not consider the effects and time value of money when measuring the liability for the remaining coverage, as the related cash flow are expected to be paid or received in one year or less from the date the claims are incurred. The Company will apply the modified retrospective approach at the transition. Insurance premium revenues are currently recognized based on the passage of time; therefore, the pattern of revenue recognition will not change upon the application of IFRS 17.

The Company does not expect that IFRS 17 will have a material impact on its consolidated financial statements. On June 25, 2020, the IASB issued amendments to IFRS 17, which among others, defer the effective date to fiscal years beginning on or after January 1, 2023. Earlier adoption is permitted for entities that have also adopted IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

In the Company's view, no other pronouncements issued by the IASB are expected to have a material impact on the consolidated financial statements.

2. First time adoption of IFRS

These financial statements, for the year ended December 31, 2022, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended December 31, 2021, the Company prepared its financial statements in accordance with United States generally accepted accounting principles ("US GAAP"). Accordingly, the Company has prepared financial statements that comply with the IFRS applicable as of December 31, 2022, together with the comparative period data for the year ended December 31, 2021, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as of January 1, 2021, the Company's date of transition to IFRS. As FMCAG & KGaA prepares consolidated financial statements in accordance with IFRS, the Company decided to adopt the exemption provided in IFRS 1 and measure its assets and liabilities at the date of transition to IFRS at the carrying amounts that would be included in the Parent Company's consolidated financial statements, based on the Parent Company's date of transition to IFRSs, as if no adjustments were made for consolidation procedures. This note explains the principal adjustments made by the Company in restating its US GAAP financial statements, including the consolidated statement of financial position as of January 1, 2021 and the financial statements as of, and for, the year ended December 31, 2021.

Upon a first-time adopter's transition to IFRS, certain elections are available to companies transitioning from other reporting frameworks. These elections allow companies to apply specific accounting practical expedients of exemptions in measuring the transition impact to IFRS. However FMCH has not elected to apply any transition elections available under IFRS.

The classification changes made to align with IFRS have resulted in presentation differences between the financial statements prepared under US GAAP and IFRS. These differences primarily relate to the grouping and categorization of certain items across financial statement captions, which may impact the comparability of US GAAP financial information across periods.

In preparing the financial statements, the Company's opening consolidated statement of financial position was prepared as of January 1, 2021, thereby reflecting the date of the Company's adoption of IFRS.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Reconciliation of statement of financial position as of January 1, 2021 (date of transition to IFRS)

	Notes	US GAAP	Reclassifications and Remeasurements	IFRS as of January 1, 2021
Assets				
Cash and cash equivalents	J	678,959	(6,577)	672,382
Trade accounts receivables from third parties	A	1,764,314	(7,403)	1,756,911
Accounts receivable from related parties		1,102,715	—	1,102,715
Inventories		1,172,167	—	1,172,167
Income tax receivables		60,813	(114)	60,699
Short-term investments		192,923	—	192,923
Other current assets	D, J	707,346	1,892	709,238
Total current assets		5,679,237	(12,202)	5,667,035
Property, plant and equipment	D	3,016,524	(135,607)	2,880,917
Right-of-use assets	D	3,803,469	(52,424)	3,751,045
Intangible assets	F	1,248,560	32,400	1,280,960
Goodwill	E	13,373,538	(11,353)	13,362,185
Long-term investments	F	166,112	4,584	170,696
Investment in equity method investees	F	190,355	113,333	303,688
Other non-current assets	D	157,290	(11,476)	145,814
Total non-current assets		21,955,848	(60,543)	21,895,305
Total assets:		27,635,085	(72,745)	27,562,340
Liabilities				
Accounts payable to unrelated parties		495,866	—	495,866
Accounts payable to related parties		74,198	(1,836)	72,362
Current provisions and other current liabilities	D, E	2,449,599	719,550	3,169,149
Short-term debt from unrelated parties		19,653	—	19,653
Short-term debt from related parties		766,047	—	766,047
Current portion of long-term debt		148,607	—	148,607
Current portion lease liabilities from unrelated parties	D	551,742	13,577	565,319
Income tax liabilities		—	—	—
Total current liabilities		4,505,712	731,291	5,237,003
Long-term debt from unrelated parties, less current portion		1,128,945	—	1,128,945
Long-term debt from related parties		4,708,220	—	4,708,220
Lease liabilities from unrelated parties, less current portion	D	3,475,676	123,924	3,599,600
Non-current provisions and other non-current liabilities	D, E	919,076	159,361	1,078,437
Deferred taxes	C	923,147	(9,962)	913,185
Total non-current liabilities		11,155,064	273,323	11,428,387
Total liabilities		15,660,776	1,004,614	16,665,390
Noncontrolling interests subject to put provisions	E	1,246,007	(1,246,007)	—
Shareholders' equity:				
Ordinary shares		83,985	—	83,985
Additional paid-in capital	E	1,826,374	542,071	2,368,445
Retained earnings	I	8,187,849	(815,199)	7,372,650
Accumulated other comprehensive income (loss)	A, B	(55,145)	(103,211)	(158,356)
Total Fresenius Medical Care Holdings Inc. equity		10,043,063	(376,339)	9,666,724
Noncontrolling interests	H	685,239	544,987	1,230,226
Total equity		10,728,302	168,648	10,896,950
Total liabilities and shareholders' equity		27,635,085	(72,745)	27,562,340

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Reconciliation of statement of financial position as of December 31, 2021

	Notes	US GAAP	Reclassifications and Remeasurements	IFRS as of December 31, 2021
Assets				
Cash and cash equivalents	J	939,518	(28,011)	911,507
Trade accounts receivables from third parties	A	1,876,325	(7,981)	1,868,344
Accounts receivable from related parties		4,062	—	4,062
Inventories		1,175,262	—	1,175,262
Income tax receivables		60,860	1,229	62,089
Short-term investments		130,939	—	130,939
Other current assets	D, J	537,170	21,275	558,445
Total current assets		4,724,136	(13,488)	4,710,648
Property, plant and equipment	D	2,953,298	(142,450)	2,810,848
Right-of-use assets	D	3,741,938	(62,826)	3,679,112
Intangible assets	G	1,238,073	(18,542)	1,219,531
Goodwill	E	13,833,059	(11,354)	13,821,705
Long-term investments		195,994	—	195,994
Investment in equity method investees	F	272,597	(67)	272,530
Other non-current assets	D	241,764	(1,186)	240,578
Total non-current assets		22,476,723	(236,425)	22,240,298
Total assets:		27,200,859	(249,913)	26,950,946
Liabilities				
Accounts payable to unrelated parties		491,687	—	491,687
Accounts payable to related parties		4,984	(1,931)	3,053
Current provisions and other current liabilities	D, E	2,457,690	685,899	3,143,589
Short-term debt from unrelated parties		22,273	—	22,273
Short-term debt from related parties		752,829	—	752,829
Current portion of long-term debt		35,662	—	35,662
Current portion lease liabilities from unrelated parties	D	554,049	11,842	565,891
Income tax liabilities	C	3,295	4,056	7,351
Total current liabilities		4,322,469	699,866	5,022,335
Long-term debt from unrelated parties, less current portion		140,741	—	140,741
Long-term debt from related parties		5,596,458	—	5,596,458
Lease liabilities from unrelated parties, less current portion	D	3,421,899	136,301	3,558,200
Non-current provisions and other non-current liabilities	D, E	539,056	188,753	727,809
Deferred taxes	C	1,005,793	(42,513)	963,280
Total non-current liabilities		10,703,947	282,541	10,986,488
Total liabilities		15,026,416	982,407	16,008,823
Noncontrolling interests subject to put provisions	E	1,310,355	(1,310,355)	—
Shareholders' equity:				
Ordinary shares		83,985	—	83,985
Additional paid-in capital	E	1,838,386	547,252	2,385,638
Retained earnings	I	8,286,663	(950,533)	7,336,130
Accumulated other comprehensive income (loss)	A, B, F	(49,595)	(120,939)	(170,534)
Total Fresenius Medical Care Holdings Inc. equity		10,159,439	(524,220)	9,635,219
Noncontrolling interests	H	704,649	602,255	1,306,904
Total equity		10,864,088	78,035	10,942,123
Total liabilities and shareholders' equity		27,200,859	(249,913)	26,950,946

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Reconciliation of statement of income and total comprehensive income **for the year ended December 31, 2021**

	Notes	US GAAP	Remeasurements	IFRS for the year ended December 31, 2021
Revenue:				
Health care services		13,002,585	(19)	13,002,566
Health care products		<u>1,290,168</u>	<u>—</u>	<u>1,290,168</u>
		14,292,753	(19)	14,292,734
Operating (income) expense:				
Costs of revenue: health care services	D	9,460,898	(212,976)	9,247,922
Costs of revenue: health care products	D	<u>857,857</u>	<u>(119)</u>	<u>857,738</u>
Selling, general and administrative expenses	B, D, F, G	2,137,439	289,620	2,427,059
Research and development		61,045	—	61,045
Income from equity method investees	F	<u>(3,144)</u>	<u>—</u>	<u>(3,144)</u>
		<u>12,514,095</u>	<u>76,525</u>	<u>12,590,620</u>
Operating income		<u>1,778,658</u>	<u>(76,544)</u>	<u>1,702,114</u>
Other (income) expense:				
Interest income		(26,886)	—	(26,886)
Interest expense	D	<u>288,462</u>	<u>131,001</u>	<u>419,463</u>
		261,576	131,001	392,577
Income before income taxes		<u>1,517,082</u>	<u>(207,545)</u>	<u>1,309,537</u>
Income tax expense	C	<u>(330,302)</u>	<u>58,878</u>	<u>(271,424)</u>
Net income		<u>1,186,780</u>	<u>(148,667)</u>	<u>1,038,113</u>
Other comprehensive (loss): Components that will not be reclassified to profit or loss:				
FVOCI equity investments	F	—	44,008	44,008
Actuarial gain (loss) on defined benefit pension plans	B	13,205	(7,002)	6,203
Income tax (expense) benefit related to components of other comprehensive income not reclassified	C	<u>(3,740)</u>	<u>(9,791)</u>	<u>(13,531)</u>
		<u>9,465</u>	<u>27,215</u>	<u>36,680</u>
Components that may be reclassified subsequently to profit or loss:				
Gain (loss) related to foreign currency translation		(3,502)	—	(3,502)
FVOCI debt securities		(3,920)	(3,485)	(7,405)
Gain (loss) related to cash flow hedges		(857)	—	(857)
Income tax (expense) benefit related to components of other comprehensive income that may be reclassified	C	<u>4,364</u>	<u>(2,296)</u>	<u>2,068</u>
		<u>(3,915)</u>	<u>(5,781)</u>	<u>(9,696)</u>
Other comprehensive (loss), net of tax		<u>5,550</u>	<u>21,434</u>	<u>26,984</u>
Total comprehensive income		<u>1,192,330</u>	<u>(127,233)</u>	<u>1,065,097</u>

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Notes to the reconciliation of financial position as of January 1, 2021, and December 31, 2021, and of total comprehensive income for the year ended December 31, 2021, are as follows:

A – Trade receivables from unrelated parties

The adoption of IFRS changed the Company's accounting for impairment losses for financial assets by replacing incurred loss approach under US GAAP with a forward-looking expected credit loss ("ECL") approach. IFRS requires the Company to recognize an allowance for ECLs for all financial assets not held at fair value through profit or loss and contract assets. At the date of transition to IFRS, the Company recognized additional impairment loss on its trade receivables at January 1, 2021 of \$7,403 and December 31, 2021 in the amount of \$7,981.

B – Defined benefit obligation

There are many differences in accounting for defined benefit obligation under US GAAP compared to IFRS, such as actuarial method for measuring benefit obligations, discount rate selection, asset ceilings. The key difference is how actuarial gains and losses are recognized. For example, under IFRS, actuarial gains and losses are recognized in OCI and never recycled in net income. Under US GAAP, however, the initial actuarial gains and losses are recognized in OCI or net income and subsequently, any gain and loss recognized in OCI are recycled to net income under a "corridor" approach. Due to these differences, the adoption of IFRS resulted in reclassification of \$104,815 (December 31, 2021: \$110,114) from retained earnings to AOCI. This also resulted in a \$7,002 decrease due to less pension cost recognized in the P&L under IFRS due to the actuarial gain and loss.

C – Current and Deferred tax

On the adoption date of January 1, 2021, the deferred tax liability under IFRS is \$9,962 lower than the corresponding US GAAP balance. On balance sheet date December 31, 2021, the deferred tax liability under IFRS is \$42,513 lower than the corresponding US GAAP balance. As referenced in the table below, the majority of the January 1, 2021 IFRS vs. US GAAP difference is driven by the tax effect of pre-tax adjustments associated with IFRS vs. US GAAP accounting standards. In addition, under IFRS the measurement of the deferred tax asset related to stock compensation is revalued in each period based on an estimate of the future tax deduction versus GAAP where the corresponding deferred tax is measured based on the amount of compensation expense recognized in profit or loss without any adjustment for the company's current share price. The associated deferred tax asset ("DTA") difference is \$14,808 as of January 1, 2021.

The composition of the Balance Sheet difference at December 31, 2021 is again largely comprised of the tax effect of associated pre-tax adjustments which are again reflected in the table below. Also reflected in the table is a \$13,489 FIN48 Reclass which relates to IFRS to US GAAP differences on timing of recognition of an Accounting Method change executed in 2021.

Income tax expense under IFRS is \$58,878 lower than the corresponding US GAAP balance for the year ended December 31, 2021. As reflected in the table below, the primary driver for this difference is a reduction to deferred tax expense associated with pre-tax differences associated with IFRS vs. US GAAP accounting standards.

Tax Effects of IFRS vs GAAP differences:

Statements of Financial Position	Notes	IFRS for the year ended December 31, 2021	IFRS for the year ended January 1, 2021
DLP Bond prem Curr/Def reclass		(748)	—
Long Term Investment and Equity Investment	F	(38,797)	37,339
Accounting for Leases	D	(23,685)	(60,120)
FIN48 Reclass 481(a)adj		13,489	—
IFRS 9 - ECL Gain/loss	A	(176)	108
Defined Benefit Obligations (Pension)	B	12,338	(2,097)
Cloud Computing	G	(4,934)	—
Stock Options		—	14,808
Total		(42,513)	(9,962)

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Statements of Income	Notes	IFRS for the year ended December 31, 2021
Long Term Investment and Equity Investment	F	51,222
Accounting for Leases	D	2,594
IFRS 9 - ECL Gain/loss		176
Defined Benefit Obligations (Pension)	B	(1,831)
Cloud Computing	G	4,934
Timing of Recognition of Accounting Method Change		(552)
Current Payable Reclass - FMCH-FINII		2,335
Total		58,878

D – Leases

As a result of the Company's transition to IFRS, certain differences exist related to lease accounting between US GAAP and IFRS. The following table discloses the components related adjustments / reclassifications in which differences exist as a result of the transition:

Financial Statement Caption (Debit/(Credit))	January 1, 2021	December 31, 2021
Property, plant and equipment	(135,607)	(142,450)
Right-of-use Asset	(52,424)	(62,826)
Other current assets	(5,892)	(8,546)
Other non-current assets	0	5,099
Total Assets	(193,923)	(208,723)
Current provisions and other current liabilities	(7,302)	(8,809)
Current portion lease liabilities from unrelated parties	13,577	11,842
Lease liabilities from unrelated parties, less current portion	123,924	136,301
Total Liabilities	130,199	139,334
Cost of Revenue – health care services		(212,976)
Selling, general and administrative expenses		23,030
Interest expense		131,001
Net Income		(58,945)

Under US GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognized as an operating expense in the consolidated statements of income on a straight-line basis over the lease term. Under IFRS, as explained in note 21, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

In accordance with IFRS, the Company applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments.

As a result, the Company recognized an increase of \$13,577 (December 31, 2021: \$11,842) of current portion of lease liabilities from unrelated parties and \$123,924 (December 31, 2021: \$136,301) in non-current portion of lease liabilities. The related right-of-use assets decreased \$52,424 (December 31, 2021: \$62,826) which included at the date of transition to IFRS, \$135,607 (December 31, 2021: \$142,450) was reclassified from property, plant and equipment to right-of-use assets, as finance leases were classified as property, plant and equipment under US GAAP in the amount of \$123,924 (December 31, 2021: \$136,301). The difference between lease liabilities and right-of-use assets has been recognized in retained earnings.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Other current assets decreased as the result of prepaid interest related to finance leases under IFRS by \$5,892 (December 31, 2021: \$8,546). Other non-current assets resulting from subleases changed by \$0 (December 31, 2021 \$5,099).

As a result of the above described differences, costs of revenue related to leases decreased by \$212,976 and selling, general, and administrative expenses increased by \$23,030. Interest expenses also increased by \$131,001.

E – Non-controlling interests (subject to put options)

The Company has obligations to purchase NCI held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party NCI owners' discretion within specified periods or conditions as outlined in each specific put provision. Under US GAAP these NCI subjected to put provisions are classified in the "mezzanine" section of the balance sheet between total liabilities and shareholders' equity. The NCI and put provisions are remeasured at each reporting period end based on estimated fair value. The remeasurement change of the put provision is recorded in Additional Paid In Capital under US GAAP. Under IFRS, these put provisions are recorded as current and long-term liabilities with the related NCI recorded as part of equity on the balance sheet. The remeasurement changes of the put provisions at each reporting period end are recorded in retained earnings.

Due to these differences, at the date of transition to IFRS, the Company reclassified \$1,246,007 (December 31, 2021: \$1,310,355) from NCI subjected to put provisions to current liability for the amount of \$728,688 (December 31, 2021: \$698,698) and \$286,893 (December 31, 2021: \$344,764) to non-current liabilities. The primary driver of the difference from US GAAP to IFRS relates to the valuation of put options whereby the value is undiscounted for US GAAP purposes but discounted under IFRS.

Furthermore, in 2020, the Company entered into an arrangement ("FMC Guam") whereby the partner has puttable shares that are considered contingent consideration under IFRS, while under US GAAP they are treated as currently redeemable and probable put options. The difference in recognition of contingent consideration under IFRS resulted in an increase of non-current liabilities of \$10,782 under IFRS. There is also a difference in recognition of the redeemable NCI subject to put options under US GAAP when compared to IFRS. This difference resulted in higher mezzanine equity under US GAAP of \$33,170 resulting from the currently redeemable and probable options.

Also, contingent consideration under IFRS requires fair value remeasurement and resulted in a \$5,300 decrease to non-current liabilities and corresponding impacts to income statement in 2021, previously held at \$10,000 as of January 1, 2021 and December 31, 2021.

F - Long Term Investment and Equity Investment

In 2018, Fresenius entered into an agreement with Humacyte to invest approximately \$150,000 in Humacyte which included distribution and license rights for Humacyte's product Humacyl, for use in renal replacement therapy for dialysis access or to treat peripheral arterial disease in humans. As a result of the Company's investment in Humacyte, differences exist for the accounting under U.S. GAAP and IFRS in the recognition and subsequent measurement of the Company's investment.

Under U.S. GAAP, \$32,400 of the total \$150,000 was expensed related to licenses and distribution rights as they related to an investment in research and development that did not meet the asset capitalization criteria under US GAAP. As part of the transition to IFRS, the Company reversed the \$32,400 expense as of the transition date, and capitalized the cost as an intangible asset as it met the criteria for an intangible asset under IFRS.

Subsequent to the original recognition, an election was made under U.S. GAAP to measure the Company's investment in Humacyte at cost. As a result of the Company's transition to IFRS, the carrying value of the Company's investment in Humacyte was remeasured at each reporting period with the change in value recorded through income statement. The amount recorded to the income statement due to the transition to IFRS was \$136,045 for the year ended December 31, 2021.

Under US GAAP, the Company accounted for investments in unquoted equity shares as financial instruments measured at cost. The Company elected to report these investments at cost which approximated their fair value at the date of recognition under US GAAP. The carrying value of these assets were assessed on an ongoing basis to determine if there was any significant indication that their cost basis no longer approximated fair value, with changes going through the income statement. Under IFRS, the Company has designated such investments as an equity investment measured at fair value through OCI.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Under IFRS, the Company had elected to account for its investment previously held in Apollo Medical Care at fair value with changes in measurement going through OCI. Under US GAAP the investment was accounted for at cost. Upon the disposal of the asset, its fair value was reassessed with changes going through the income statement. This change resulted in a reclassification transition impact to IFRS of \$44,008 from other operating income to OCI for the year ended December 31, 2021. The investment was sold in 2021 and resulted in \$39,056 OCI balance reclassification to retained earnings at the time of sale.

G - Cloud Computing

IFRS standards do not contain explicit guidance about a customer's accounting for cloud computing arrangement or implementation costs for those arrangements. During April 2021, the IFRS Interpretations Committee issued an agenda decision that provided clarification on the accounting for cloud computing arrangements. The clarification was specific to implementation costs, which clarified the guidance that certain costs may not be capitalized under IFRS. In consideration of this clarification, the Company recognized a reduction of intangible assets related to capitalized software implementation costs in the amount of \$18,542 with offsetting impact to selling, general and administrative at December 31, 2021, no related impact to January 1, 2021.

H - Non-controlling interests (not subject to put options)

The Company from time to time purchases controlling interest into dialysis clinics and other health care centers. Not all of the NCI are subjected to put provisions. For NCI that are not subjected to put provisions, the related balances are recorded at fair value in the equity section of the balance sheet for both US GAAP and IFRS. Historical differences related to the application of US GAAP and IFRS treatment within the balance sheet statement recorded to NCI and retained earnings in the amount of \$542,690 in 2020 and \$601,855 in 2021. Current period differences related to the application of US GAAP and IFRS treatment within the income statement recorded to NCI in the amount of \$1,897 in 2021.

I – Retained Earnings

Based on the US GAAP based balance sheet adjustments made to comply with the IFRS the total retained earnings adjustment summarized above is \$815,199 (December 31, 2021: \$950,533).

J – IFRS impact on statement of cash flows

Under US GAAP, a lease is classified as a finance lease or an operating lease. Cash flows arising from operating lease payments are classified as operating activities. Under IFRS, a lessee generally applies a single recognition and measurement approach for all leases and recognizes lease liabilities. Cash flows arising from payments of principal portion of lease liabilities are classified as financing activities. The difference under IFRS is an operating expense increase of \$761,281 primarily driven by depreciation and a financing activities increase of \$607,237 as a result of the cash payments for all leasing being classified as financing activities.

Under US GAAP, restricted cash is not required to be presented separately on the balance sheets but is included in the total cash and cash equivalents in the statements of cash flows. As a result, the restricted cash related to the collateral requirements towards an insurance contract, was included as part of cash and cash equivalents on the balance sheets and the statements of cash flows under US GAAP. IFRS do not define restricted cash and do not address whether restricted cash should be included in a company's beginning or ending cash and cash equivalent balances in the statements of cash flows. This depends on whether these amounts, while restricted, still meet either the definition of cash or the definition of cash equivalents under IAS 7, *Statement of Cash Flows* ("IAS 7"). Based on the definition of cash under IAS 7, the restricted cash related to the collateral requirements towards an insurance contract of \$28,011 and \$6,577 as of December 31, 2021 and January 1, 2021, respectively, does not meet the definition of cash and have been reclassified to other current assets under IFRS. Additionally, the notion of restricted cash is not presented in the statement of cash flows under IFRS.

3. Significant judgements and sources of estimation uncertainties

The Company's reported results of operations, financial position and net assets are sensitive to significant judgments, assumptions and estimates that are the basis for its financial statements. The critical accounting policies, the judgments made in the creation and application of these policies and the sensitivities of reported results to changes in accounting policies, significant judgments and estimates are factors to be considered along with the Company's financial statements.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

In the opinion of the Management of the Company, the following accounting policies, significant judgments, and sources of estimation uncertainties are critical for the consolidated financial statements in the present economic environment.

a) Recoverability of goodwill and intangible assets

The growth of the business through acquisitions has created a significant amount of intangible assets, including goodwill, trade names, non-compete agreements, technology and customer relationships as well as licenses and distribution agreements. In addition, the Company recognizes internally developed intangible assets related to research and development and software development projects. As of December 31, 2022, the carrying amount of goodwill and non-amortizable intangible assets amounted to \$14,787,928 (\$14,118,640 as of December 31, 2021 and \$13,660,880 as of January 1, 2021) representing approximately 56% and 52% of the Company's total assets as of December 31, 2022 and 2021, respectively and 50% as of January 1, 2021.

In accordance with IAS 36, the Company performs an impairment test of goodwill and non-amortizable intangible assets at least once a year for each group of CGUs or more frequently if the Company becomes aware of events that occur or if circumstances change that would indicate the carrying value may not be recoverable (see also note 1 g).

In accordance with IFRS, to determine possible impairments of these assets, the value in use of the identified CGU is first compared to the CGU's carrying amount. In cases where the value in use of the CGU is less than its carrying amount and the fair value less cost of disposal is not estimated to be higher than the value in use, the difference is recorded as an impairment of the carrying amount of the CGU.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the recoverable amounts of the smallest identifiable group of assets that generate largely independent cash inflows with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

The value in use of the identified CGU is determined using estimated future cash flows for the unit discounted by a pre-tax discount rate ("WACC") specific to the CGU. The Company's WACC consists of a basic rate and, if appropriate, the WACC will be adjusted by a factor to reflect higher risks associated with the cash flows from recent material acquisitions within the CGU, until they are appropriately integrated. In 2022, the estimates were largely impacted by the further deterioration of the macroeconomic environment, including complications in the labor market, in particular in the U.S. Estimating the future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. The key assumptions represent management's assessment of future trends and have been based on historical data from both external and internal sources. In determining discounted cash flows for the CGU, the Company utilizes its three-year budgets, projections for years four to ten, and a representative growth rate for all remaining years. In 2022, the projections for the first three years were prepared based on the status of current initiatives without considering any growth and improvement from initiatives which have not commenced related to the transformation of the Company's operating structure and steps to achieve cost savings (FME25 Program). Projections for up to ten years are possible due to the non-discretionary nature of the health care services the Company provides, the need for health care products utilized to provide such services and the availability of government reimbursement for a substantial portion of its services.

The annual impairment test performed as of November 1, 2021 and 2022 did not result in an impairment.

The following table shows the key assumptions of value-in-use calculations:

Key assumptions		
<i>in %</i>		
	North America CGU	
	2022	2021
Average revenue growth in ten-year projection period	mid-single-digit	mid-single-digit
Average EBIT growth in ten-year projection	high-single-digit	mid-single-digit
Residual value growth	1	1
Pre-tax WACC	8.05	5.78
After-tax WACC	6.39	4.58

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

An overview of the carrying amounts of goodwill and intangibles with indefinite useful life for each group of CGUs is shown in note 12.

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care services and for procuring and selling health care products or a significant increase of mortality of patients with chronic kidney diseases which may be attributable to COVID-19 could adversely affect the Company's estimated future cash flows. Future adverse changes in a cash-generating unit's economic environment of a group of CGUs could affect the country specific risk rate and therefore the discount rate. Equally an increase of the general interest rate level could affect the base rate and therefore the discount rate. A decrease in the estimated future cash flows and/or a decline in the cash-generating units economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful life which could materially and adversely affect the Company's future financial position and operating results.

Additionally, the recoverable amount of North America CGU exceeded the carrying amount by \$2,614,336 and \$19,378,275 as of December 31, 2022 and 2021, respectively. The following table shows the reasonable amounts by which the key assumptions would need to change individually that the recoverable amount equals the carrying amount:

Sensitivity analysis⁽¹⁾

Change in percentage points

	2022	2021
Pre-tax WACC	0.71	3.82
After-tax WACC	0.56	2.91
Operating income margin of each projection year	(0.97)	(5.22)

(1) The sensitivity analysis is based upon the goodwill impairment tests performed as of November 1, 2022 and November 1, 2021.

b) Legal contingencies

From time to time, during the ordinary course of operations as well as due to acquisitions, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business (see note 22). The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the Company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

The outcome of these matters may have a material adverse effect on the results of operations, financial position and net assets of the Company.

c) Trade accounts and other receivables from unrelated parties and expected credit losses

Trade accounts and other receivables from unrelated parties are a substantial asset of the Company and the expected credit losses are based upon a significant estimate made by management. Trade accounts and other receivables from unrelated parties were \$1,953,773 and \$1,868,344 as of December 31, 2022 and 2021, respectively, and \$1,756,911 as of January 1, 2021, net of expected credit losses of \$8,270 as of December 31, 2022, \$7,937 as of December 31, 2021 and \$7,284 as of January 1, 2021.

The Company sells health care products directly or through distributors in various jurisdictions and provides health care services mainly in the United States. Most payors are government institutions or government-sponsored programs with significant variations between payors' payment and collection practices.

Receivables resulting from health care services are recognized and billed at amounts estimated to be collectable under government reimbursement programs and reimbursement arrangements with third party payors. U.S. Medicare and Medicaid government programs are billed at pre-determined net realizable rates per treatment that are established by

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

statute or regulation. Revenues for non-governmental payors with which the Company has contracts or letters of agreement in place are recognized at the prevailing contract rates. The remaining non-governmental payors are billed at the Company's standard rates for services, and a contractual adjustment is recorded to recognize revenues based on historic reimbursement. The contractual adjustment and the expected credit losses are reviewed quarterly for their adequacy. The collectability of receivables is reviewed locally on a regular basis, generally monthly. For further information, see note 1 k).

The collection process is usually initiated shortly after service is provided or upon the expiration of the time provided by contract. For Medicare and Medicaid, once the services are approved for payment, the collection process begins upon the expiration of a period of time based upon experience with Medicare and Medicaid. In all cases where co-payment is required the collection process usually begins within 30 days after service has been provided. In those cases where claims are approved for amounts less than anticipated or if claims are denied, the collection process usually begins upon notice of approval of the lesser amounts or upon denial of the claim. The collection process can be confined to internal efforts, including the accounting and sales staffs and, where appropriate, local management staff. If appropriate, external collection agencies may be engaged.

Due to the number of subsidiaries and different jurisdictions that the Company operates in, the Company's policy of determining when an individual expected credit loss is required considers the appropriate individual local facts and circumstances that apply to an account. While payment and collection practices vary significantly between jurisdictions and even agencies, government payors usually represent low to moderate credit risks. It is the Company's policy to determine when receivables should be classified as bad debt on a local basis taking into account local payment practices and local collection experience. An individual expected credit loss is calculated locally if specific circumstances indicate that amounts will not be collectible.

Receivables where the expected credit losses are not assessed individually are grouped based on geographical regions and the impairment is assessed based on macroeconomic indicators such as credit default swaps. For more information regarding the impairment on trade accounts and other receivables from unrelated parties please refer to note 1 i).

When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

Write offs are taken on a claim-by-claim basis. Due to the fact that a large portion of its reimbursement is provided by public health care programs and private insurers, the Company expects that most of its accounts receivables will be collectible. A significant change in the Company's collection experience, deterioration in the aging of receivables and collection difficulties could require that the Company increases its estimate of the expected credit losses. Any such additional bad debt charges could materially and adversely affect the Company's future operating results.

If, in addition to the Company's existing expected credit losses, 1% of the gross amount of the Company's trade accounts and other receivables from unrelated parties as of December 31, 2022, were uncollectible through either a change in the Company's estimated contractual adjustment or revised estimate of the collectability, the Company's operating income for 2022 would have been reduced by approximately 2.2%.

Composition of trade accounts and other receivables from unrelated parties in %

	December 31, 2022	December 31, 2021	January 1, 2021
Public health care programs	54%	56%	52%
Commercial payors	31%	30%	30%
Hospitals	9%	9%	10%
Self-pay of patients	5%	4%	6%
Other payors	1%	1%	2%
Total	100%	100%	100%

d) Self-insurance programs

Under the Company's insurance programs for professional, product and general liability, auto liability, worker's compensation and medical malpractice claims, the Company is partially self-insured for professional liability claims.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

For all other coverages, the Company assumes responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts. For further information, see note 13 and note 16.

Sensitivity analysis

Increases and decreases in principal actuarial assumption by 0.5 percentage points would affect the self-insurance accrual as of December 31, 2022 as follows:

Sensitivity analysis

in \$ THOUS

	0.5% increase	0.5% decrease
Discount rate	(33,263)	25,920

e) Level 3 financial instruments

Put option liabilities, variable payments outstanding for acquisitions and equity investments are recognized at their fair value. Each put option contract contains specific clauses related to the terms of exercisability, which require significant judgment in order to determine appropriate liability recognition and classification. For further information related to the significant judgments and estimates related to these instruments and their fair values, see notes 1 h) and 23.

f) Income taxes

The Company is subject to ongoing and future tax audits in the U.S., and other jurisdictions. Different interpretations of tax laws, particularly due to the Company's international activities, may lead to potential additional tax payments or tax refunds for prior years. To consider income tax liabilities or income tax receivables of uncertain tax assessments management's estimations are based on experiences with previous tax audits and local tax rules of the respective tax jurisdiction and the interpretation of such. Differences between actual results and management's estimates or future changes in these estimates may have an impact on future tax payments or tax refunds. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. For further information to estimates related to the recoverability of deferred taxes, see notes 1 n) and 5 g).

g) Business combinations

The Company measures the noncontrolling interest in an acquisition at fair value and classifies costs related to its business combinations within general and administrative expense. In determining whether an intangible asset related to a business combination is identifiable and should be separated from goodwill, significant judgment is required. Additionally, estimation of the acquisition-date fair values of identifiable assets acquired and liabilities assumed also involves significant judgment. The applicable measurements and inputs used in this estimation (including revenue growth rates, gross profit margin adjusted for synergy assumptions associated with manufacturing savings and the discount rate) are based upon information available at the acquisition date using expectations and assumptions that management deems reasonable. Such judgments, estimates and assumptions could materially affect the Company's business, results of operations and financial condition, primarily due to:

- Fair values assigned to assets subject to depreciation and amortization directly impact the depreciation and amortization recorded in the Company's consolidated statements of income in periods subsequent to a related acquisition.
- Any subsequent measurement resulting in a decrease in the estimated fair values of assets acquired may result in impairment.
- Subsequent changes resulting in an increase or decrease to the estimated fair values of liabilities assumed may result in additional expense or income, respectively.

For further information on business combinations, see note 5 h).

h) COVID-19

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Due to the global implications of the COVID-19 pandemic as well as an increase in mortality of patients with chronic kidney diseases and an increase in persons experiencing renal failure, management judgments and estimates are subject to increased uncertainty. Actual amounts may differ from judgments and estimates made by management and changes could have a material impact on the Company's consolidated financial statements. The Company included all available information on the expected economic developments and country-specific governmental mitigation measures when updating its judgments and estimates. This information was also included in the analysis of the recoverability and collectability of assets as well as trade accounts and other receivables from unrelated parties.

It is difficult to predict the duration and/or significance of the COVID-19 pandemic's impact on assets, liabilities, results of operations and cash flows. The Company bases its estimates and assumptions on existing knowledge and information available and assumes that the COVID-19 pandemic will begin to ease as vaccine programs continue globally.

For further information on the impacts of COVID-19 related to government relief, see note 5 h).

i) Leases and interest rate determination

IFRS 16 requires the Company to make judgments that affect the valuation of lease liabilities as well as of right-of-use assets (see notes 21 and 23), including the determination of which contracts are within the scope of IFRS 16, identifying the contract lease term and determining the incremental borrowing rate.

The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. During the "reasonably certain" assessments, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise, or not to exercise, an option, including any expected changes in facts and circumstances (e.g., contract-, object-, entity- or market-specific factors) from the commencement date until the exercise date of the option. Other examples of considered terms are termination penalties or costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs of identifying another lease asset suitable for the Company's needs, costs of integrating a new asset into the Company's operations and termination penalties and similar costs, including costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location. Additionally, the Company's historical practice regarding the period over which it has typically used particular types of assets, and its economic reasons for doing so, is also relevant. Unrecognized extension options are shown as potential future cash outflows (see note 21).

The Company uses the rate implicit in the lease if agreed with the lessor and/or available, while the incremental borrowing rate is used for all other leases. The incremental borrowing rate is defined as the rate that the lessee would have to pay on the commencement date of the lease for a similar loan (regarding its term, security, underlying asset, and economic environment). The incremental borrowing rate is determined when the Company initiates a lease contract or changes an existing lease. The interest rate is calculated based on following components: available interest rate sampling points, group risk margins, shadow rating (credit risk) margins, country risk margins, handling margins and other risk margins.

The Company is subject to residual value guarantees in certain lease contracts, primarily real estate contracts, for which it is the lessee. Under the terms of these leases, the Company has the option to remarket the underlying leased properties to satisfy its residual value guarantee obligations at the end of the lease term. At the end of each reporting period, the expected residual values are compared to the estimated fair market value of the underlying leased assets utilizing third-party valuations. For additional information regarding residual value guarantees in certain lease contracts, see note 21.

4. Acquisitions, investments (including debt securities), purchases of intangible assets and divestitures and sale of debt securities

Acquisitions

The Company completed acquisitions, investments (including debt securities) and the purchase of intangible assets in the amount of \$617,115 and \$498,347 in 2022 and 2021, respectively. In 2022, \$40,875 was paid in cash and \$576,241 were assumed obligations and non-cash consideration. In 2021, \$442,326 was paid in cash and \$56,021 were assumed obligations and non-cash consideration.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Impacts on consolidated financial statements from acquisitions

The assets and liabilities of all acquisitions were recorded at their estimated fair value at the date of the acquisition and are included in the Company's financial statements and operating results from the effective date of acquisition. The measurement period adjustments from the previous year's acquisitions did not have a significant impact on the consolidated financial statements in 2022.

The excess of the total acquisition costs over the fair value of the net assets acquired resulted in goodwill of \$672,077 and \$460,144 as of December 31, 2022, and 2021, respectively.

The purchase price allocations for all collectively and individually non-material acquisitions for 2022 are not yet finalized. The Company is in the process of obtaining and evaluating the information necessary for the purchase price allocations, primarily related to property, plant and equipment, intangible assets, accounts receivable and other liabilities. In 2022, based on preliminary purchase price allocations, the Company recorded \$672,077 of goodwill and \$57,135 of intangible assets, which represent the share of both controlling and noncontrolling interests. Goodwill arose principally due to the fair value of the established streams of future cash flows for these acquisitions.

Business combinations during 2022 decreased the Company's net income (net income attributable to shareholders of FMCH) by \$15,292, excluding the costs of the acquisitions, and revenue increased by \$7,812. Total assets increased by \$620,439 due to business combinations, including the previously held equity method investment in InterWell Health LLC, discussed below.

Business combination of InterWell Health

On August 24, 2022 (the "Acquisition Date"), the Company completed a business combination among Fresenius Health Partners, Inc. ("FHP"), the Company's value-based care division, with InterWell Health LLC, a physician organization driving innovation in the kidney care space in the U.S., and Cricket, a U.S. provider of value-based kidney care with a patient engagement and data platform. The transaction was completed after regulatory approval was received in the U.S. and other customary closing conditions were satisfied. The new company, NewCo, will operate under the InterWell Health brand.

This business combination was conducted as a non-cash transaction. Under the terms and conditions of this business combination, Cricket contributed all of its net assets in exchange for approximately 17% of the equity interest in NewCo. The fair value of the consideration transferred by the Company to Cricket for a controlling interest in NewCo was \$260,772.

InterWell Health LLC also contributed all of its net assets in exchange for approximately 8% of the equity interest in NewCo. The fair value of the consideration transferred by the Company to InterWell Health LLC for a controlling interest in NewCo was \$137,647. Prior to the transaction, the Company owned approximately 46% of InterWell Health LLC with a carrying value of \$19,370 and a fair value of \$175,434 as of the Acquisition Date. At the Acquisition Date, the Company received approximately 7% equity in NewCo in exchange for its investment in InterWell Health, LLC. As a result of the transaction, the Company recognized a remeasurement gain of \$156,064 for the year ended December 31, 2022, which represented the difference between the fair value and the carrying value of its investment in InterWell Health LLC prior to the Acquisition Date. The remeasurement gain is recorded in the consolidated statements of income for the year ended December 31, 2022 within the line item "Remeasurement gain from InterWell Health LLC".

The contributions of the net assets of InterWell Health LLC and Cricket were accounted for as a business combination in accordance with IFRS 3 in which the Company was identified as the acquirer and InterWell Health LLC and Cricket were identified as acquired companies. NewCo has been consolidated in the Company's consolidated financial statements as of and for the year ended December 31, 2022.

As a result of the business combination, the Company recorded noncontrolling interests at fair value in the amount of \$186,789 using the full goodwill method within the line item "Purchase/sale of noncontrolling interests" in the consolidated statements of shareholders' equity. A third-party valuation advisor was engaged to assist the Company in the estimation of the underlying fair value of the transaction and primarily employed an income approach which was used in the calculation of consideration transferred to the acquirees as well as in the calculation of noncontrolling interests. In addition, the Company also granted put options to noncontrolling shareholders with an estimated present value of the redemption amount of \$603,469 at December 31, 2022 (at Acquisition Date: \$604,137). For further information regarding the valuation of put option liabilities, see note 23.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The Company also contributed the business of FHP in exchange for approximately 68% of equity interest in NewCo. Since the Company controlled FHP before the Acquisition Date and controls NewCo post-Acquisition Date, the Company's contribution of FHP net assets was recorded under common control at their respective carrying values at the Acquisition Date and the resulting reduction of the Company's interest in FHP was accounted for as an equity transaction. Therefore, additional noncontrolling interest was recognized in the amount of \$4,914 as of Acquisition Date and additional paid in capital of \$393,505 as of the Acquisition Date, representing the difference between the carrying value and the fair value of the corresponding interests. These amounts were recorded within the line item "Purchase/sale of noncontrolling interests" in the consolidated statements of shareholders' equity.

Upon consummation of the business combination described above, the Company holds approximately 75% of NewCo, resulting from the contribution of the Company's interest in FHP and the transfer of the previously-held equity method investment in InterWell Health LLC. The former owners of Cricket and InterWell Health LLC hold approximately 17% and 8%, respectively, as noncontrolling interests in NewCo.

The following allocation of the purchase price is based upon information available to management as of December 31, 2022. Based on a preliminary allocation, the following assets, including goodwill (which will not be deductible for tax purposes), were acquired and liabilities were assumed as of the Acquisition Date:

Reconciliation of goodwill recognized

in \$ THOUS

Fair value of consideration transferred of the Company's interest in FHP	398,419
Fair value of previously held equity method investment in InterWell Health LLC	175,434
	<u>573,853</u>
Fair Values of Assets Acquired and Liabilities Assumed (preliminary)	
Less: Cash and cash equivalents	(57,383)
Less: Other assets	(2,819)
Less: Intangible assets	(53,919)
Other liabilities	13,029
Noncontrolling interests	<u>186,789</u>
Goodwill	<u>659,550</u>

The Company is in the process of obtaining and evaluating the information necessary for the purchase price allocation, including, but not limited to, tax-related items and the final capital interest allocation. As such, the balances noted in the table above are provisional and subject to measurement period adjustments permitted under IFRS 3. Any adjustments to acquisition accounting, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill within one year from the Acquisition Date.

As of the Acquisition Date, intangible assets in the amount of \$53,919 acquired in this transaction consist primarily of a technology platform with a weighted average useful life of 10 years and a trade name with an indefinite useful life.

As of the Acquisition Date, goodwill in the amount of \$659,550 was recorded as part of the transaction and mainly represents anticipated synergies and future cash flows expected to be generated by NewCo. The entire amount of goodwill recorded as a result of this transaction was allocated to the North America CGU.

Additionally, and as contemplated in the agreement, the Company also transferred Acumen Physician Solutions, LLC (Acumen) to NewCo shortly after the Acquisition Date, and prior to September 30, 2022, with working capital in the amount of \$1,824. Since certain long-lived assets (mainly intangible assets) held by Acumen will be utilized materially differently by NewCo, management performed an impairment assessment prior to the transfer, concluded that the assets were completely impaired in accordance with IAS 36, Impairment of Assets, and recorded an impairment charge in the amount of \$71,025 before the transfer for the year ended December 31, 2022. The Company also incurred certain transaction-related costs of \$25,660 for the year ended December 31, 2022. The expenses, along with the impairment charges were recognized in "Selling, general and administrative" expense on the consolidated statements of income. The transaction-related costs are included in operating activities and cash acquired is included in investing activities in the consolidated statements of cash flows.

From August 24, 2022, through December 31, 2022, the revenue contributed by the acquired companies (i.e. Cricket and InterWell Health, LLC) was not material. During this period, the Company recognized a loss of \$19,053 from the acquired companies within its consolidated statement of income. Had the business combination taken place on January

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

1, 2022, the Company estimates that its revenue for the year ended December 31, 2022 would not have been materially different. However, the Company estimates that net income for the year ended December 31, 2022 would have been \$36,055 lower than reported if the business combination had taken place at the beginning of the reporting period.

Investments (including debt securities) and purchase of intangibles

Investments (including debt securities) and purchases of intangible assets were \$92,826, and \$154,259 in 2022, and 2021, respectively. The majority of these investments were paid in cash.

Divestitures and sale of debt securities

Proceeds from divestitures and sale of debt securities were \$7,307 and \$6,178 in 2022 and 2021, respectively. These amounts mainly related to the divestment of debt securities in 2022, and the divestment of debt securities and certain research and development investments in 2021. In 2022, \$3,258 was received in cash and \$4,049 were non-cash components. In 2021, \$1,160 was received in cash and \$5,019 were non-cash components.

5. Notes to the consolidated statement of income

a) Revenue

The Company has recognized the following revenue in the consolidated statements of income for the years ended December 31, 2022, and 2021:

	December 31, 2022			December 31, 2021		
	Revenue from contracts with customers	Other revenue ⁽¹⁾	Total	Revenue from contracts with customers	Other revenue ⁽¹⁾	Total
Medicare	4,141,375	—	4,141,375	4,585,454	—	4,585,454
Private/alternative payors	7,999,785	558,604	8,558,389	7,680,252	469,363	8,149,615
Medicaid/other government sources	660,039	—	660,039	630,606	—	630,606
Hospitals	865,990	—	865,990	927,059	—	927,059
Total	13,667,189	558,604	14,225,793	13,823,371	469,363	14,292,734

(1) Insurance contract revenue for Fresenius Healthcare Partners ("FHP"), a value based care division of the Company.

The Company has recognized the following amounts as receivables and contract liabilities relating to contracts with customers for the years ended December 31, 2022, and 2021, and January 1, 2021:

	December 31, 2022	December 31, 2021	January 1, 2021
Trade accounts receivables from unrelated parties	1,953,773	1,868,344	1,756,911
Contract liabilities	22,545	448,374	1,052,372

The change in the contract liabilities balance during the period results primarily from advance payments received under the Centers for Medicare and Medicaid Services' ("CMS") Accelerated and Advance Payment program which are recorded as contract liabilities upon receipt and recognized as revenue when the respective services are provided.

In 2022, contract liabilities related to sales of dialysis machines where revenue is recognized upon installation and provision of the necessary technical instructions whereas a receivable is recognized once the machine is billed to the customer and to advance payments from customers. In 2021, contract liabilities related to advance payments from customers and to sales of dialysis machines where revenue is recognized upon installation and provision of the necessary technical instructions whereas a receivable is recognized once the machine is billed to the customer.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Contract liabilities are shown in the consolidated statements of financial position in line items "Current provisions and other current liabilities".

As of December 31, 2022 and 2021, revenue recognized that was included in the contract liabilities balance at the beginning of the period was \$436,909 and \$602,569, respectively.

As of December 31, 2022, 2021, and 2020 performance obligations of \$22,545, \$448,375, and \$1,052,372 respectively, are unsatisfied (or partially unsatisfied). Expected recognition of the transaction price allocated to unsatisfied performance obligations as revenue for the next five years and in the aggregate for the five years thereafter are as follows:

Unsatisfied performance obligations

in \$ THOUS

	2022	2021	2020
1 year	21,430	440,284	678,569
1 – 3 years	—	—	373,803
3 – 5 years	—	—	—
5 – 10 years	1,115	8,091	—
Total	22,545	448,375	1,052,372

b) Selling, general and administrative expenses

Selling, general and administrative expenses are generated in the administrative, logistic and selling functions which are not attributable to production or research and development. Furthermore, general and administrative expenses included realized and unrealized foreign exchange gains and losses.

In addition, the Company has recognized, among others, the following general and administrative expenses for the years ended December 31, 2022 and 2021:

Notable general and administrative expenses

in \$ THOUS

	2022	2021
Reimbursement payments and funding received related to economic assistance programs to address the consequences of the COVID-19 pandemic	50,508	9,765
Fair value of Humacyte investment	9,755	103,645
(Gain) loss from right-of-use assets	(25,004)	(6,236)
Net (gain) loss from the sale of investments and divestitures	44,411	(4,898)
Impairment loss on property, plant and equipment, intangible assets and right-of-use assets	60,981	7,066
Net (gain) loss from the sale of fixed and intangible assets	21,612	12,718
Costs related to the InterWell Health LLC transaction	25,660	—
Costs related to U.S. ballot initiatives (see note 5 i))	23,709	—

In 2022, selling, general and administrative expenses included costs for restructuring activities related to the Company's transformation of its operating structure and steps to achieve cost savings ("FME25 Program") in the amount of \$81,347, mainly for severance payments and related personnel expense, the impairment of fixed, intangible and right-of-use assets and consulting expense. In 2021, selling, general and administrative expenses included costs for restructuring activities related to the FME25 Program in the amount of \$34,885, mainly for the impairment of right-of-use assets and consulting expense.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

c) Research and development

Research and development expenses of \$69,174 and \$61,045 for the years ended December 31, 2022 and 2021, respectively included research and non-capitalizable development costs.

d) Cost of materials

The cost of materials for the year ended December 31, 2022, and 2021 consisted of the following:

Cost of materials

in \$ THOUS

	2022	2021
Cost of raw materials, supplies and purchased components	2,521,481	2,528,906
Cost of purchased services	281,280	270,347
Cost of materials	2,802,761	2,799,253

e) Personnel expenses

Included within costs of revenue, selling, general and administrative expenses and research and development expenses are personnel expenses in the amount of \$6,068,140, and \$5,834,067 for the years ended December 31, 2022, and 2021, respectively. Personnel expenses consisted of the following:

Personnel expenses

in \$ THOUS

	2022	2021
Wages and salaries	4,728,478	4,562,754
Social security contributions and cost of retirement benefits and social assistance	1,231,065	1,165,189
Retirement benefits	108,597	106,124
Personnel expenses	6,068,140	5,834,067

The Company employed the following personnel on a full-time equivalent basis, on average, for the following years:

Employees by function

	2022	2021
Production and services	56,037	56,303
Administration	6,011	6,620
Sales and marketing	1,505	1,450
Research and development	160	135
Total employees	63,713	64,508

f) Net interest

Net interest in the amount of \$371,336 and \$392,577 for the years ended December 31, 2022 and 2021 included interest expense of \$393,982 and \$419,463 for the years ended December 31, 2022 and 2021. Interest expense resulted mainly from the Company's financial liabilities including debt with affiliates, loans and credit facilities (see note 13 and note 14), and lease liabilities. These expenses were offset by interest income primarily resulted from interest earned from certain investments.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

g) Income taxes

Income before income taxes is attributable to the following geographic locations:

Income before income taxes

in \$ THOUS

	Year Ended December 31,	
	2022	2021
Domestic	790,183	1,287,952
Foreign	41,247	21,585
Total income before income taxes	831,430	1,309,537

Income tax expense for the years ended December 31, 2022, and 2021 consisted of the following:

Income tax expense

in \$ THOUS

	Year Ended December 31,	
	2022	2021
Current		
Federal	121,101	129,536
State	54,619	75,049
Foreign	10,634	7,384
	<u>186,354</u>	<u>211,969</u>
Deferred		
Federal	(5,303)	44,102
State	(14,702)	15,353
	<u>(20,005)</u>	<u>59,455</u>
Total income tax expense	<u>166,349</u>	<u>271,424</u>

The provision for income taxes for the years ended December 31, 2022, and 2021 differed from the amount of income taxes determined by applying the applicable statutory federal income tax rate to pre-tax earnings as a result of the following differences:

Reconciliation of income taxes

in \$ THOUS, unless stated otherwise

	Year Ended December 31,	
	2022	2021
Expected corporate income tax expense	220,329	347,027
Tax free income	(9,960)	—
Non-deductible expenses	16,060	7,839
Taxes for prior years	(6,199)	(12,425)
Noncontrolling partnership interests	(52,423)	(62,897)
Tax credits	(7,658)	(8,120)
Change in realizability of deferred tax assets and credits	6,200	—
Income tax expense	<u>166,349</u>	<u>271,424</u>
Effective tax rate	<u>20.0%</u>	<u>20.7%</u>

The tax effects of the temporary differences and net operating losses that give rise to deferred tax assets and liabilities as of December 31, 2022 and 2021, are presented below:

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Deferred income tax assets and liabilities

in \$ THOUS

	December 31,		January 1,
	2022	2021	2021
Deferred tax assets:			
Inventories	4,389	5,940	9,397
Lease liabilities	690,756	751,475	740,698
Provisions and other liabilities	138,417	146,033	157,135
Pension liabilities	30,446	23,634	19,021
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	15,404	14,221	52,980
Total deferred tax assets	879,412	941,303	979,231
Deferred tax liabilities:			
Intangible assets	759,155	786,092	797,758
Property, plant and equipment and other non-current assets	250,473	279,286	248,960
Right-of-use assets	596,320	664,641	658,695
Other	184,238	174,564	187,003
Total deferred tax liabilities	1,790,186	1,904,583	1,892,416
Net deferred tax liabilities	910,774	963,280	913,185

In the consolidated statements of financial position, the accumulated amounts of deferred tax assets and liabilities are shown as follows:

Net deferred income tax assets and liabilities

in \$ THOUS

	As of December 31,		As of January 1,
	2022	2021	2021
Net deferred tax liabilities	910,774	963,280	913,185

The change in the balance of deferred tax assets and deferred tax liabilities does not equal the deferred tax expense. This is due to deferred taxes that are booked directly to equity, the effects of exchange rate changes on tax assets and liabilities denominated in currencies other than US dollars and the acquisition and disposal of entities as part of ordinary activities.

As of December 31, 2022, there are federal net operating loss ("NOL") carryovers of \$133,250, which if not utilized, will expire between 2031 through 2042. The federal net operating loss is subject to an annual limitation by IRC §382 as of December 31, 2019. In addition, there is Federal Tax Credit of \$3,433 which, if not utilized, will expire on varying dates. State net operating loss carryovers and tax credits are \$8,360 and \$5,401, respectively, with varying expiration dates. The associated DTA for the State Tax Credits is not recognized on the balance sheet.

The federal and state NOL utilization is contingent upon the Company's ability to generate future income. As of December 31, 2022, the associated DTA for \$109,146 against the \$132,250 Federal NOL is not recognized on the balance sheet. Additionally, the associated DTA for \$1,833 of the \$3,433 Federal tax credits is not recognized on the balance sheet.

The tax years 2019, 2020, 2021, and 2022 are open to audit by the federal government. The Company is also subject to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the consolidated financial statements.

h) Impacts of COVID-19

The Company provides life-sustaining dialysis treatments and other critical health care services and products to patients. The Company's patients need regular and frequent dialysis treatments, or else they face significant adverse health consequences that could result in hospitalization or death. To be able to continue care for its patients in light of COVID-19, the Company determined that it needed to implement a number of measures, both operational and financial, to maintain an adequate workforce, to protect its patients and employees through expanded personal protective equipment protocols and to develop surge capacity for patients suspected or confirmed to have COVID-19. Additionally,

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

the Company experienced a loss of revenue due to the pandemic in certain parts of its business, partially offset by increased demand for its services and products in other parts. Various governments in regions in which the Company operates have provided economic assistance programs to address the consequences of the pandemic on companies and support health care providers and patients.

The Company received government grants in the United States in the amount of \$238,560 and \$122,579 for the years ended December 31, 2022 and 2021, respectively. In addition to the costs incurred which are eligible for government funding, the Company has been affected by impacts that COVID-19 had on the global economy and financial markets as well as effects related to lockdowns.

The remaining amounts of U.S. government grants received recorded in deferred income was \$6,104, \$62,176, and \$22,473 as of December 31, 2022, December 31, 2021, and January 1, 2021, respectively (see note 13). The Company also recorded a contract liability for advance payments received under the CMS Accelerated and Advance Payment program within current provisions and other current liabilities. Contract liabilities related to the CMS Accelerated and Advance Payment program were \$5,274, \$442,568, and \$672,221 as of December 31, 2022, December 31, 2021, and January 1, 2021, respectively.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in the U.S. The CARES Act provides relief funds to hospitals and other health care providers in connection with the impact of the on-going COVID-19 pandemic. During 2022 and 2021, the Company received \$235,394 and \$122,025, respectively, in U.S. Department of Health and Human Services (U.S. HHS) funding available for health care providers affected by the COVID-19 pandemic. During 2022 and 2021, the Company recognized operating income of \$291,446 and \$73,672, respectively, used to offset eligible costs. The Company currently estimates that all funds received from grants comply with the terms and conditions associated with the funding received. All funding received in the U.S. is to be applied solely to the Company's U.S. operations. In accordance with the conditions of the funding received under the grants, the Company is obliged and committed to fulfilling all the requirements related to grants.

For further information regarding government grants, see note 1 v).

i) Ballot Initiatives

The remaining amounts of CA 2022 Proposition 29 ("Prop 29"), a statewide ballot measure put before all voters in California in the November 2022 election, was initiated by the SEIU-UHW labor union in California. The impact of the policy if passed would have caused significant disruption to the patient care model for all providers and increased cost of doing business for all providers, including Fresenius. Given the severely adverse impact of the potential passage of this policy to the dialysis industry in California, an industry coalition was formed to oppose this measure and work to defeat it. Fresenius spent approximately \$23,709 which represents proportional investment in the campaign to oppose the passage of Prop 29. Prop 29 was defeated by the largest margin of all three of the CA anti-dialysis ballot measures.

6. Related party transactions

Financing

The Company holds certain related party financing arrangements through a series of note receivables and payables. These financing arrangements are classified as related party transactions used to provide capital required in the ordinary course of business at various levels of the Company. For more information on the respective balances, refer to note 15.

The Company also maintains cash pool programs classified as related party transactions due to the affiliated members, i.e. entities under common control party to the cash pool. The cash pool may be used as a source of short-term funding or short-term investment of excess liquidity. This cash pool arrangement is reported as receivables from affiliate on the consolidated statements of financial position.

The financing arrangements as described have agreed-upon terms which are determined at the time such financing transactions occur and reflect market rates at the time of the transaction.

Health Care Products

The Company has certain affiliate related purchase and sale transactions of manufactured health care products. These health care products are purchased and sold for distribution in health care services within the global Parent Company. The Company's terms related to the cost of these products and services are generally consistent with the normal terms of the Company's ordinary course of business transactions with unrelated parties.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

In December 2010, the Company and Galenica Ltd. (now known as CSL Vifor) formed the renal pharmaceutical company Vifor Fresenius Medical Care Renal Pharma Ltd., an equity method investee of which the FMCH Parent Company (KGaA) owns 45%. The Company has entered into exclusive supply agreements to purchase certain pharmaceuticals from, as well as into certain exclusive distribution agreements with, Vifor Fresenius Medical Care Renal Pharma Ltd. Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately \$967,680 of pharmaceuticals, of which \$322,560 is committed at December 31, 2022 for 2023. The terms of these agreements run up to four years.

Other

Under the CMS Comprehensive End-Stage Renal Disease (ESRD) Care Model, the Company and participating physicians formed entities known as ESRD Seamless Care Organizations (ESCOs) as part of a payment and care delivery model that seeks to deliver better health outcomes for Medicare ESKD patients while lowering CMS's costs. The Company entered into participation/service agreements with these ESCOs, which are accounted for as equity method investees. For the fifth performance year (January 1, 2020 through March 31, 2021), CMS finalized its settlement reports on December 30, 2022. These ESCOs are expected to be dissolved during the first half of 2023.

In October 2019, CMS released a request for applications to participate in its new Comprehensive Kidney Care Contracting (CKCC) model. Under the CKCC model, renal health care providers participate by forming an entity known as a Kidney Care Entity (KCE). Through the KCE, renal health care providers take responsibility for the total cost and quality of care for Medicare beneficiaries with CKD stages 4 and 5 as well as Medicare beneficiaries with ESRD. In order to participate, KCEs must include nephrologists and transplant providers, and dialysis providers and other third parties are permitted to participate. As of December 31, 2022, the Company was participating in 20 KCEs. The Company entered into participation/service agreements with these KCEs, which are accounted for as equity method investees.

Below is a summary, including the Company's receivables from and payables to the indicated parties, resulting from the above-described transactions with related parties.

Product & Other agreements with related parties

in \$ THOUS

	2022		2021		December 31, 2022		December 31, 2021	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Fresenius Medical Care AG & Co. KGaA & affiliates	58,915	47,938	59,401	16,727	213,351	145,648	157,994	111,508
Total	58,915	47,938	59,401	16,727	213,351	145,648	157,994	111,508

7. Cash and cash equivalents

As of December 31, 2022, and 2021 and January 1, 2021, cash and cash equivalents are as follows:

Cash and cash equivalents

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Cash	123,675	217,189	134,233
Securities and time deposits	269,373	694,318	538,149
Cash and cash equivalents	393,048	911,507	672,382

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

8. Trade accounts receivables from unrelated parties

As of December 31, 2022, December 31, 2021 and January 1, 2021, trade accounts receivables from unrelated parties are as follows:

Trade accounts receivables from unrelated parties

in \$ THOUS

	December 31, 2022		December 31, 2021		January 1, 2021	
		thereof credit- impaired (1)		thereof credit- impaired (1)		thereof credit- impaired (1)
Trade accounts receivables, gross	1,962,043	89,047	1,876,281	70,126	1,764,195	73,375
Less expected credit losses	(8,270)	(3,772)	(7,937)	(3,924)	(7,284)	(4,394)
Total	1,953,773	85,275	1,868,344	66,202	1,756,911	68,981

(1) Trade accounts receivable balances are "credit-impaired" when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the receivable balance (e.g., overdue by more than one year, etc.).

The vast majority of the total receivable are trade receivables.

All trade accounts receivables from unrelated parties are due within one year.

When utilized, the Company assigns interests in certain receivables to institutional investors under its Accounts Receivable Facility (as defined below). The receivables assigned under the facility amounts to \$1,429,071 for the year ended December 31, 2022, \$0 for the year ended December 31, 2021 and \$1,219,847 for January 1, 2021. For further information on the utilization of this facility, see note 15.

The following table shows the development of expected credit losses in the fiscal years 2022, and 2021:

Development of expected credit losses for doubtful accounts from unrelated parties

in \$ THOUS

	2022	2021
Expected credit losses as of January 1	7,937	7,284
Change in valuation allowances as recorded in the consolidated statements of income	333	653
Write-offs and recoveries of amounts previously written-off	—	—
Foreign currency translation	—	—
Expected credit losses as of December 31	8,270	7,937

The following tables show the aging analysis of trade accounts receivables from unrelated parties and expected credit losses as of December 31, 2022 and as of December 31, 2021 and January 1, 2021:

Aging analysis of trade accounts receivables from unrelated parties December 31, 2022

in \$ THOUS

	Not overdue	Up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	More than 12 months overdue	Total
Trade accounts receivables	976,971	525,433	179,003	191,589	89,047	1,962,043
Less expected credit losses	(1,166)	(1,155)	(789)	(1,388)	(3,772)	(8,270)
Trade accounts receivables, net	975,805	524,278	178,214	190,201	85,275	1,953,773

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Aging analysis of trade accounts receivables from unrelated parties December 31, 2021

in \$ THOUS

	Not overdue	Up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	More than 12 months overdue	Total
Trade accounts receivables	1,012,492	507,607	145,149	140,907	70,126	1,876,281
Less expected credit losses	(1,213)	(1,271)	(632)	(897)	(3,924)	(7,937)
Trade accounts receivables, net	1,011,279	506,336	144,517	140,010	66,202	1,868,344

Aging analysis of trade accounts receivables from unrelated parties January 1, 2021

in \$ THOUS

	Not overdue	Up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	More than 12 months overdue	Total
Trade accounts receivables	949,341	482,606	134,619	124,254	73,375	1,764,195
Less expected credit losses	(468)	(1,113)	(446)	(863)	(4,394)	(7,284)
Trade accounts receivables, net	948,873	481,493	134,173	123,391	68,981	1,756,911

9. Inventories

As of December 31, 2022, December 31, 2021 and January 1, 2021, inventories consisted of the following:

Inventories

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Finished goods	551,048	564,089	494,641
Health care supplies	519,004	436,971	503,034
Raw materials and purchased components	173,685	150,691	147,922
Work in process	28,022	23,511	26,570
Inventories	1,271,759	1,175,262	1,172,167

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately \$1,185,715 of materials, of which \$427,314 is committed as of December 31, 2022 for 2023. The terms of these agreements run 1 to 5 years. Further unconditional purchase agreements exist with an equity method investee of the Company. For further information on these agreements, see note 6.

Write-downs of inventories amounted to \$54,647 and \$0 for the years ended December 31, 2022, and 2021, respectively.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

10. Other current assets

As of December 31, 2022, December 31, 2021 and January 1, 2021, other current assets consisted of the following:

Other current assets

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Payments on account	127,659	138,193	258,321
Other tax receivable	4,462	4,171	5,286
Deposit / guarantee / security	27,595	32,108	9,722
Prepaid insurance	27,368	21,534	27,958
Receivables for supplier rebates	19,002	19,610	106,027
Prepaid rent	11,081	10,861	10,241
Loans to customers or suppliers	3,240	—	—
Derivatives	3,590	518	600
Insurance contract receivables	121,876	38,031	17,176
Cost Recovery Receivable	77,858	133,525	177,887
Other	83,991	159,894	96,020
Other current assets	507,722	558,445	709,238

The item "Other" in the table above includes various prepaid expenses relating to, amongst others, utility costs, and freight expense.

11. Property, plant and equipment

As of December 31, 2022, December 31, 2021 and January 1, 2021, the acquisition or manufacturing costs and the accumulated depreciation of property, plant and equipment consisted of the following:

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Acquisition or manufacturing costs

in \$ THOUS

	January 1, 2022	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2022
Land	13,862	(85)	—	—	29	—	13,806
Buildings and improvements	3,451,429	(344)	(6,398)	91	165,955	(112,582)	3,498,151
Machinery and equipment	3,301,750	(1,670)	(2,401)	34,246	211,171	(91,393)	3,451,703
Construction in progress	198,782	(186)	8,055	331,368	(343,238)	1,392	196,173
Property, plant and equipment	6,965,823	(2,285)	(744)	365,705	33,917	(202,583)	7,159,833

Acquisition or manufacturing costs

in \$ THOUS

	January 1, 2021	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2021
Land	13,163	(125)	110	—	995	(281)	13,862
Buildings and improvements	3,244,855	(1,039)	2,618	569	253,036	(48,610)	3,451,429
Machinery and equipment	3,179,093	(3,358)	6,889	294,746	58,837	(234,457)	3,301,750
Construction in progress	301,437	(296)	(36)	185,064	(279,977)	(7,410)	198,782
Property, plant and equipment	6,738,548	(4,818)	9,581	480,379	32,891	(290,758)	6,965,823

Depreciation

in \$ THOUS

	January 1, 2022	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2022
Land	—	—	—	—	—	—	—
Buildings and improvements	1,970,925	(56)	(5,242)	240,761	2,839	(99,311)	2,109,916
Machinery and equipment	2,184,050	(1,435)	(1,361)	306,936	7,038	(77,550)	2,417,678
Construction in progress	—	—	—	—	—	—	—
Property, plant and equipment	4,154,975	(1,491)	(6,603)	547,697	9,877	(176,861)	4,527,594

Depreciation

in \$ THOUS

	January 1, 2021	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2021
Land	—	—	—	—	—	—	—
Buildings and improvements	1,988,920	(438)	(2,114)	16,799	2,840	(35,082)	1,970,925
Machinery and equipment	1,868,711	(2,485)	(1,081)	535,428	4,295	(220,818)	2,184,050
Construction in progress	—	—	—	—	—	—	—
Property, plant and equipment	3,857,631	(2,923)	(3,195)	552,227	7,135	(255,900)	4,154,975

Book value

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Land	13,806	13,862	13,163
Buildings and improvements	1,388,235	1,480,504	1,255,935
Machinery and equipment	1,034,025	1,117,700	1,310,382
Construction in progress	196,173	198,782	301,437
Property, plant and equipment	2,632,239	2,810,848	2,880,917

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Depreciation expense for property, plant and equipment amounted to \$547,697, and \$552,227 for the years ended December 31, 2022, and 2021, respectively. These expenses are allocated within costs of revenue and selling, general and administrative expense depending upon the area in which the asset is used.

Included in machinery and equipment as of December 31, 2022 and 2021, and January 1, 2021 were \$187,926, \$192,579 and \$193,588, respectively, of peritoneal dialysis cyclers machines which the Company leases to customers with ESKD on a month-to-month basis and hemodialysis machines which the Company leases to physicians under operating leases.

12. Intangible assets and goodwill

As of December 31, 2022, December 31, 2021 and January 1, 2021, the acquisition or manufacturing costs and the accumulated amortization of intangible assets and goodwill consisted of the following:

Acquisition or manufacturing costs

in \$ THOUS

	January 1, 2022	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2022
Amortizable intangible assets							
Non-compete agreements	345,209	—	178	—	—	(1,528)	343,859
Acute care agreements	37,001	—	—	—	—	(126)	36,875
Technology	762,750	—	—	—	—	(99,280)	663,470
Licenses and distribution agreements	90,020	(251)	—	4,395	(461)	(4,912)	88,791
Customer relationships	53,600	—	5,024	—	—	—	58,624
Construction in progress	170,513	—	—	56,912	(47,614)	(14)	179,797
Trade names	8,204	(28)	15,000	—	—	—	23,176
Internally developed intangibles	290,423	—	—	—	(29,157)	(13,845)	247,421
Other	76,527	(181)	36,695	330	670	(7,429)	106,612
	1,834,247	(460)	56,897	61,637	(76,562)	(127,134)	1,748,625
Non-amortizable intangible assets							
Trade names	255,635	—	—	—	—	—	255,635
In-process research and development	41,300	—	—	—	—	—	41,300
	296,935	—	—	—	—	—	296,935
Intangible assets	2,131,182	(460)	56,897	61,637	(76,562)	(127,134)	2,045,560
Goodwill	13,821,705	(75)	669,363	—	—	—	14,490,993

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Acquisition or manufacturing costs

in \$ THOUS

	January 1, 2021	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2021
Amortizable intangible assets							
Non-compete agreements	339,232	—	5,988	—	—	(11)	345,209
Acute care agreements	37,001	—	—	—	—	—	37,001
Technology	762,750	—	—	—	—	—	762,750
Licenses and distribution agreements	121,460	10	(55)	5,085	48	(36,528)	90,020
Customer relationships	53,600	—	—	—	—	—	53,600
Construction in progress	118,932	—	—	77,939	(26,829)	471	170,513
Trade names	6,953	1	—	—	1,250	—	8,204
Internally developed intangibles	285,351	—	—	—	29,854	(24,782)	290,423
Other	77,660	5	—	76	5,341	(6,555)	76,527
	<u>1,802,939</u>	<u>16</u>	<u>5,933</u>	<u>83,100</u>	<u>9,664</u>	<u>(67,405)</u>	<u>1,834,247</u>
Non-amortizable intangible assets							
Trade names	255,635	—	—	—	—	—	255,635
In-process research and development	43,060	—	—	—	—	(1,760)	41,300
	<u>298,695</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,760)</u>	<u>296,935</u>
Intangible assets	<u>2,101,634</u>	<u>16</u>	<u>5,933</u>	<u>83,100</u>	<u>9,664</u>	<u>(69,165)</u>	<u>2,131,182</u>
Goodwill	<u>13,362,185</u>	<u>15</u>	<u>459,505</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,821,705</u>

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Amortization

in \$ THOUS

	January 1, 2022	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2022
Amortizable intangible assets							
Non-compete agreements	317,806	—	(239)	7,645	—	(1,450)	323,762
Acute care agreements	36,038	—	—	208	—	(126)	36,120
Technology	257,346	—	—	57,115	—	(99,280)	215,181
Licenses and distribution agreements	57,927	(185)	—	2,520	(1,034)	(1,564)	57,664
Customer relationships	8,487	—	—	3,122	—	—	11,609
Construction in progress	—	—	—	—	—	—	—
Trade names	5,913	34	—	955	—	—	6,902
Internally developed intangibles	167,641	—	—	41,763	(79,673)	47,097	176,828
Other	60,493	(67)	—	5,301	(165)	(7,391)	58,171
	<u>911,651</u>	<u>(218)</u>	<u>(239)</u>	<u>118,629</u>	<u>(80,872)</u>	<u>(62,714)</u>	<u>886,237</u>
Non-amortizable intangible assets							
Trade names	—	—	—	—	—	—	—
In-process research and development	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Intangible assets	<u>911,651</u>	<u>(218)</u>	<u>(239)</u>	<u>118,629</u>	<u>(80,872)</u>	<u>(62,714)</u>	<u>886,237</u>
Goodwill	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Amortization

in \$ THOUS

	January 1, 2021	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2021
Amortizable intangible assets							
Non-compete agreements	310,032	—	(65)	7,839	—	—	317,806
Acute care agreements	35,675	—	—	363	—	—	36,038
Technology	194,933	—	—	61,267	1,146	—	257,346
Licenses and distribution agreements	59,663	73	—	3,029	(1,112)	(3,726)	57,927
Customer relationships	5,513	—	—	2,974	—	—	8,487
Construction in progress	—	—	—	—	—	—	—
Trade names	5,139	51	—	723	—	—	5,913
Internally developed intangibles	147,730	—	—	37,366	(30)	(17,425)	167,641
Other	61,989	8	—	6,395	(1,734)	(6,165)	60,493
	<u>820,674</u>	<u>132</u>	<u>(65)</u>	<u>119,956</u>	<u>(1,730)</u>	<u>(27,316)</u>	<u>911,651</u>
Non-amortizable intangible assets							
Trade names	—	—	—	—	—	—	—
In-process research and development	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Intangible assets	<u>820,674</u>	<u>132</u>	<u>(65)</u>	<u>119,956</u>	<u>(1,730)</u>	<u>(27,316)</u>	<u>911,651</u>
Goodwill	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Book value

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Amortizable intangible			
Non-compete agreements	20,097	27,403	29,200
Acute care	755	963	1,326
Technology	448,289	505,404	567,817
Licenses and distribution	31,127	32,093	61,797
Customer relationships	47,015	45,113	48,087
Construction in progress	179,797	170,513	118,932
Trade names	16,274	2,291	1,814
Internally developed intangibles	70,593	122,782	137,621
Other	48,441	16,034	15,671
	<u>862,388</u>	<u>922,596</u>	<u>982,265</u>
Non-amortizable intangible			
Trade names	255,635	255,635	255,635
In-process research and development	41,300	41,300	43,060
	<u>296,935</u>	<u>296,935</u>	<u>298,695</u>
Intangible assets	<u>1,159,323</u>	<u>1,219,531</u>	<u>1,280,960</u>
Goodwill	<u>14,490,993</u>	<u>13,821,705</u>	<u>13,362,185</u>

The amortization of intangible assets amounted to \$118,629 and \$119,956 for the years ended December 31, 2022, and 2021, respectively. These expenses are allocated within costs of revenue and selling, general and administrative expense depending upon the area in which the asset is used.

The Company capitalized development costs of \$27,125 and \$37,872 in 2022 and 2021, respectively, which is included in the line item "Construction in progress" in the schedule above.

The Company did not record any impairment losses related to goodwill in 2022 and 2021 after comparing the related CGUs' values in use to their respective carrying amount.

13. Current provisions and other current liabilities

Current provisions

The following table shows a reconciliation of the current provisions for 2022:

Development of current provisions

in \$ THOUS

	January 1, 2022	Utilized	Additions	Reclassifications	December 31, 2022
Personnel expenses	113,537	(142,530)	118,316	—	89,323
Risk of lawsuit	25,963	(200)	57,000	—	82,763
Self-insurance programs	142,033	(161,739)	155,497	(15,525)	120,266
Other current provisions	3,200	(13,678)	13,278	—	2,800
Current provisions	<u>284,733</u>	<u>(318,147)</u>	<u>344,091</u>	<u>(15,525)</u>	<u>295,152</u>

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Development of current provisions

in \$ THOUS

	January 1, 2021	Utilized	Additions	Reclassifications	December 31, 2021
Personnel expenses	101,591	(113,886)	125,832		113,537
Risk of lawsuit	27,244			(1,281)	25,963
Self-insurance programs	259,232	(136,375)	31,676	(12,500)	142,033
Other current provisions	2,936	(16,905)	17,169		3,200
Current provisions	391,003	(267,166)	174,677	(13,781)	284,733

Personnel expenses

Personnel expenses mainly refer to provisions for the Company's global performance-based compensation plan for managerial staff established in 2021, the current portion of the provisions for accrued severance payments, and share-based plans note 20.

Risk of lawsuit

See note 22.

Self-insurance programs

See note 3 d).

Other current provisions

Other current provisions: The item "Other current provisions" in the table above includes provisions for warranties, physician compensation and return of goods.

Other current liabilities

As of December 31, 2022 and 2021 and January 1, 2021, other current liabilities consisted of the following:

Other current liabilities

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Put option liabilities	651,265	698,698	728,688
Personnel liabilities	432,943	428,570	463,654
Unapplied cash and receivable credits	762,237	727,196	599,372
Contract liabilities	5,275	442,568	672,221
Other (non-income) tax liabilities	49,599	47,702	47,276
Deferred income	52,452	101,802	42,670
Legal matters, advisory and audit fees	68,385	42,959	40,603
Derivatives	102	103,477	1,029
Other liabilities	445,656	550,617	573,636
Other current liabilities	2,467,914	3,143,589	3,169,149

Personnel liabilities

The personnel liabilities mainly refer to liabilities for wages and salaries, bonuses, and vacation payments.

Unapplied cash and receivable credits

Unapplied cash and receivables credits refer to liabilities associated with unposted cash, and or unreconciled and overpayments on trade receivables.

Contract liabilities

The Company received advance payments under the CMS Accelerated and Advance Payment program which are recorded as contract liability upon receipt and recognized as revenue when the respective services are provided. For additional information on the advanced payments, see note 5 h) above.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Contract liabilities also relate to advance payments from customers and to sales of dialysis machines where revenue is recognized upon installation and provision of the necessary technical instructions whereas a receivable is recognized once the machine is billed to the customer.

Other liabilities

The item "Other liabilities" in the table above primarily consists of liabilities for the current portion of pension liabilities, accrued global leadership bonus, accrued FICA, accrued interest and accrued self insurance.

14. Short-term debt

As of December 31, 2022 and 2021, and January 1, 2021 short-term debt consisted of the following:

Short-term debt

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Commercial Paper with related parties	21,594	22,273	19,653
Short Term debt with related parties	700,000	603,099	766,047
Short-term debt	721,594	625,372	785,700

Commercial paper program

As of December 31, 2022 and 2021, and January 1, 2021, the outstanding commercial paper for FMCH amounted to \$21,594, \$22,273, and \$19,653, respectively.

This commercial paper program is with affiliates.

Short-term debt from related parties

The Parent Company and FMCH were parties to an unsecured loan agreement, as borrowers, with Fresenius SE, an affiliate entity, as lender, under which the Company and FMCH requested and received one or more short-term advances up to an aggregate amount of €600,000, which matured on July 31, 2022.

FMCH and the Parent Company (KGaA) entered into an unsecured loan agreement on December 19, 2022 for \$700,000 in lieu of a cash dividend payment. The balance as of December 31, 2022 was \$700,000. The agreement is for a renewable 1 year term with a fixed rate of 6% on the balance outstanding.

The balance as of December 31, 2021 was \$603,099 comprised of a related party agreement as noted in footnote 15 Borrowings (receivables) from affiliates table below paid off in full during 2022.

15. Long-term debt

As of December 31, 2022, and 2021, and January 1, 2021, long-term debt consisted of the following:

Long-term debt

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Amended 2012 Credit Agreement	—	—	1,108,864
Borrowings from affiliates	5,725,042	6,349,286	5,474,267
Other	363,239	176,404	168,688
Long-term debt	6,088,281	6,525,690	6,751,819
Less short-term and current portion of long-term debt from related parties	(200,080)	(752,829)	(766,047)
Less current portion	(156,523)	(35,662)	(148,607)
Long-term debt, less current portion	5,731,678	5,737,199	5,837,165

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The Company's long-term debt as of December 31, 2022, all of which ranks equally in rights of payment, are described as follows:

Credit facilities

Syndicated revolving credit facility

On July 1, 2021, the Company entered into a new €2,000,000 sustainability-linked syndicated revolving credit facility with a group of 34 core relationship banks ("Syndicated Credit Facility").

The Syndicated Credit Facility has a term of five years plus two one-year extension options and can be drawn in different currencies. The Syndicated Credit Facility is currently undrawn and will be used as a backup line for general corporate purposes. The Syndicated Credit Facility replaced the existing \$900,000 and €600,000 revolving credit facilities in the Amended 2012 Credit Agreement, and the Company repaid the Term Loans outstanding under the Amended 2012 Credit Agreement in May 2021. On June 8, 2022, the Company amended and extended the Syndicated Credit Facility to extend the term by one year and replace the US dollar-LIBOR as the reference rate with Term Secured Overnight Financing Rate. A sustainability component has been embedded in the credit facility, with the margin increasing or decreasing depending on the company's sustainability performance.

Amended 2012 credit agreement

FMCH and the Parent Company (the "Loan Parties") originally entered into a syndicated credit facility of \$3,850,000 and a 5-year tenor (the "2012 Credit Agreement") on October 30, 2012. On November 26, 2014, the 2012 Credit Agreement was amended to increase the total credit facility to approximately \$4,400,000 and extend the term for an additional two years until October 30, 2019 ("Amended 2012 Credit Agreement"). On July 11, 2017, the Loan Parties further amended and extended the Amended 2012 Credit Agreement. The Amended 2012 Credit Agreement was terminated on July 1, 2021 and was replaced by the Syndicated Credit Facility. For information regarding available and outstanding balances under the Amended 2012 Credit Agreement as of January 1, 2021, see "Amended 2012 Credit Agreement - Maximum amount available and balance outstanding" table below.

Interest on the credit facilities was floating at a rate equal to LIBOR USD / LIBOR EUR (as applicable) plus an applicable margin. The applicable margin was variable and depended on the Company's consolidated net leverage ratio, which is a ratio of its consolidated funded debt less cash and cash equivalents to consolidated EBITDA (as these terms were defined in the Amended 2012 Credit Agreement). As of January 1, 2021, the dollar-denominated tranches outstanding under the Amended 2012 Credit Agreement had a weighted average interest rate of 1.24%. As of January 1, 2021, the euro-denominated tranches had a weighted average interest rate of 0.875%.

Interest on the credit facilities was floating at a rate equal to Term SOFR (as applicable) plus an applicable margin. The applicable margin was variable and depended on the Company's Credit ratings, awarded by Moody's, S&P, and Fitch, as well as the company's ESG Score (as these terms were defined in the Amended 2021 Credit Agreement). The Company's financing structure and business model are reflected in the investment grade ratings. The Parent Company's rated investment grade by Moody's, Standard & Poor's and Fitch. On February 27, 2023, Fitch updated the company's rating to rating watch on.

Rating ⁽¹⁾

	Standard & Poor's	Moody's	Fitch
Corporate credit rating	BBB-	Baa3	BBB-
Outlook	negative	negative	negative watch

(1) A rating is not a recommendation to buy, sell or hold securities of the Company, and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

On March 3, 2023, the margin increased to 62bps as Standard & Poor's downgraded FMC's rating from BBB to BBB- as of February 24, 2023. The commitment fee rate increased from 0.1995% to 0.2170% (35% of 62bps).

The Amended 2012 Credit Agreement contained affirmative and negative covenants with respect to the Parent Company and its subsidiaries. Under certain circumstances, these covenants limited indebtedness and restricted the

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

creation of liens. Under the Amended 2012 Credit Agreement the Parent Company was required to comply with a maximum consolidated net leverage ratio.

The following table shows the available and outstanding amounts under the Amended 2012 Credit Agreement as of January 1, 2021:

Amended 2012 Credit Agreement⁽¹⁾ - Maximum amount available and balance outstanding

in THOUS

	Maximum amount available		Balance outstanding ⁽²⁾	
	January 1, 2021		January 1, 2021	
Revolving credit USD 2017 / 2022	\$ 900,000	\$ 900,000	\$ —	\$ —
Revolving credit EUR 2017 / 2022	€ 600,000	\$ 736,260	€ —	\$ —
USD term loan 2017 / 2022 ⁽³⁾	\$ 1,110,000	\$ 1,110,000	\$ 1,110,000	\$ 1,110,000
		<u>\$ 2,746,260</u>		<u>\$ 1,110,000</u>

(1) The Amended 2012 Credit Agreement was terminated on July 1, 2021, and was replaced by the Syndicated Credit Facility.

(2) Amounts shown are excluding debt issuance costs.

(3) USD term loan 2017 / 2022 in the amount of \$1,050,000 and EUR term loan 2017 / 2022 in the amount of €245,000 originally due on July 31, 2022, were repaid on May 20, 2021.

The company had letters of credit outstanding in the amount of \$97,502, \$97,502 and \$146,262 for December 31, 2022, December 31, 2021 and January 1, 2021 respectively, which are not included above as part of the balance outstanding at those dates, but which reduce available borrowings under the revolving credit facilities.

The following table shows the available and outstanding amounts as of December 31, 2022 and 2021:

2021 Credit Facility - Maximum amount available and balance outstanding

in THOUS

	Maximum amount available		Balance outstanding	
	December 31, 2022		December 31, 2022	
Revolving Credit EUR	€ 2,000,000	\$ 2,133,200	€ —	\$ —

	Maximum amount available		Balance outstanding	
	December 31, 2021		December 31, 2021	
Revolving Credit EUR	€ 2,000,000	\$ 2,265,200	€ —	\$ —

As of December 31, 2022, the Company is not currently utilizing the credit facility.

In April 2020, the Company entered into three new bilateral credit agreements with total availability of \$375,000 and an initial maturity of one year from the initial closing date. In April 2021, the committed bilateral agreements with US Bank and SunTrust matured, while the bilateral with Credit Agricole remained. As of June 2021, the total availability for the uncommitted bilateral with Credit Agricole was \$250,000. In March 2022, the Company entered into a new uncommitted bilateral agreement with BBVA with a total availability of \$50,000 and an increase to \$150,000 in December 2022. In November 2022, the Company entered into an uncommitted demand line of credit facility with Wells Fargo Bank with a total availability of \$30,000. The total balance related to these bilateral agreements as of December 31, 2022 and 2021 were \$118,500 and \$0, respectively. The Company also has letters of credit with Commerzbank, Credit Agricole and UniCredit. In May 2021, the availability on the letters of credit agreement with Commerzbank increased from \$100,000 to \$150,000. In July 2021, the availability on the letters of credit agreement with Credit Agricole increased from \$125,000 to \$240,000. In November 2021, the company entered into the letters of credit agreement with UniCredit with an availability of \$50,000. The total balance related to these letters of credit agreements as of December 31, 2022 and 2021 was \$84,969.

Borrowings from affiliates

The Company has various outstanding borrowings with KGaA and affiliates. The funds were used for general corporate purposes and acquisitions. The loans are due at various maturities.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

As of December 31, 2022 and 2021, and January 1, 2021 borrowings (receivables) from affiliates consisted of the following:

Borrowings (receivables) from affiliates

in \$ THOUS

	December 31		January 1
	2022	2021	2021
(Receivables) borrowings from affiliates consists of:			
DLP Dollar Loan Grid Note borrowings, at a rate of 6 month LIBOR plus 1.5% Payable on demand	(93)	(35)	—
RTC Holdings International, Inc. borrowings at Interest rates of 2.0285% (until 8/24/20) and 0.441% (w.e.f 8/25/20), respectively repaid in 2021	—	—	14,251
NMC/FMC B LLC receivables, net of discounts at a rate of LIBOR plus 1.125% to be repaid in 2022	—	(5,270)	(5,200)
NMC/FMC US Finance borrowings, at rate of LIBOR plus 1.125% Payable on demand	—	—	69,295
NMC/FMC Finance II borrowings, at rate of LIBOR plus 0.8% to be repaid in 2024	225,335	115,420	109,194
FMC Finance II borrowings, net of discounts at fixed rate 5.25% to be repaid in 2024	424,417	424,083	425,000
FMC Malta borrowings at fixed rates of interest between 4.19% and 6.26% to be repaid at various dates through 2031	1,092,047	1,292,220	1,228,372
FMC Malta borrowings at fixed rate of 4.59% to be repaid 2022	—	50,000	—
FMC Finance II borrowings, net of discounts at a fixed rate of 5.45% to be repaid 2022	—	603,134	653,458
FMC Finance II Dollar Grid Note, at a rate of 6 month LIBOR Plus 1.5% Payable on demand	—	105,000	105,000
NMC/FMC US Finance III borrowings, at a rate of LIBOR plus 1.125% to be repaid in 2029	25,133	10,577	500
FMC Finance III borrowings, net of discounts a fixed rate of 4.25% to be repaid in 2029	503,309	502,315	501,320
FMC Finance III borrowings, net of discounts a fixed rate of 2.875% to be repaid in 2031	1,044,142	1,043,421	1,042,700
FMC Finance III borrowings, net of discounts fixed rates of 2.375% to be repaid in 2026	887,074	885,689	—
FMC Finance III borrowings, net of discounts fixed rate of 3.50% to be repaid in 2031	675,627	674,856	—
FMC Malta borrowings at fixed rates of 5.85% to be repaid in 2029	430,000	430,000	430,000
FMC Malta borrowings at fixed rate of 4.2% to be repaid in 2024	217,877	217,877	217,877
FMC Finance I borrowings, net of discounts at a fixed rate of 6.25% repaid in 2021	—	—	682,500
FMC Malta borrowings at fixed rate of 5.8% to be repaid 2023	200,174	—	—
Receivables from Bank Mendes Gans cash pooling arrangement	(31,548)	(4,062)	(1,102,715)
	5,693,494	6,345,225	4,371,552
Less current borrowings from related parties	200,080	752,829	766,047
Less current receivables from related parties	(31,548)	(4,062)	(1,102,715)
Total net long-term borrowings from related parties	<u>5,524,962</u>	<u>5,596,458</u>	<u>4,708,220</u>

On February 16, 2021, the Company repaid \$682,500 of principal under the FMC Finance I borrowing. On January 31, 2022, the Company repaid \$594,321 of principal under the FMC Finance II borrowing. The Company is the guarantor of the debt held by FMC US Finance I, FMC US Finance II and FMC US Finance III, these entities are all related parties, under common control. The total principal balance of these loans as of December 31, 2022 is \$3,400,000 with interest rates between 1.875% to 4.75%, and various maturity dates up to December 2031.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Liabilities include for the years ended December 31, 2022 and 2021, gross borrowings related to related party notes of \$131,214 and \$1,813,757, respectively, and gross repayments were \$764,819 and \$860,364, respectively. These are related to certain guarantees of related party debt which are accounted for under IFRS 37. The risks associated with the guarantees would be realized if the Company's affiliate should default on their obligation of third-party debt. Based on the credit worthiness of the related party counterparty and their stated intent to pay, the Company has not recorded an associated liability with these guarantees. The term of the guarantees and related party debt are the same term as the debt with external parties. There are no subordination provisions or security held against the guarantees.

Accounts Receivable Facility

On August 11, 2021, the Company amended and restated the Accounts Receivable Facility, extending it until August 11, 2024. The maximum capacity, \$900,000, remains unchanged under the restated Accounts Receivable Facility.

The following table shows the available and outstanding amounts under the Accounts Receivable Facility as of December 31, 2022, December 31, 2021, and January 1, 2021:

Accounts Receivable Facility - Maximum amount available and balance outstanding

in \$ THOUS

	Maximum amount available ⁽¹⁾	Balance outstanding ⁽²⁾
	December 31, 2022	December 31, 2022
Accounts Receivable Facility	900,000	100,000
	Maximum amount available ⁽¹⁾	Balance outstanding ⁽²⁾
	December 31, 2021	December 31, 2021
Accounts Receivable Facility	900,000	—
	Maximum amount available ⁽¹⁾	Balance outstanding ⁽²⁾
	January 1, 2021	January 1, 2021
Accounts Receivable Facility	900,000	—

(1) Subject to availability of sufficient accounts receivable meeting funding criteria.

(2) Amounts shown are excluding debt issuance costs.

As of December 31, 2022, the Company is currently utilizing \$100,000 of the Accounts Receivable Facility and the principal cash flows related to bank investors' initial investments have been returned.

The Company also had letters of credit outstanding under the Accounts Receivable Facility in the amount of \$12,532 as of December 31, 2022 and 2021, and \$12,522 as of January 1, 2021. These letters of credit are not included above as part of the balance outstanding as of December 31, 2022 and 2021 and January 1, 2021; however, they reduce available borrowings under the Accounts Receivable Facility.

Under the Accounts Receivable Facility, certain receivables are contributed to NMC Funding Corporation ("NMC Funding"), a wholly owned subsidiary. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors (and their conduit affiliates). Under the terms of the Accounts Receivable Facility, NMC Funding retains the rights in the underlying cash flows of the transferred receivables. Interest is remitted to the bank investors at the end of each tranche period. If NMC requires additional credit, the principal cash flows are reinvested to purchase additional interests in the receivables. Borrowings under the Accounts Receivable Facility are expected to remain long-term. NMC Funding retains significant risks and rewards in the receivables; among other things, the percentage ownership interest assigned requires the Company to retain first loss risk in those receivables, and the Company can, at any time, recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the Company's consolidated statements of financial position and the proceeds from the transfer of percentage ownership interests are recorded as long-term debt.

NMC Funding pays interest to the bank investors calculated based on the commercial paper rates for the particular tranches selected. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

16. Non-current provisions and other non-current liabilities

Of the total amount of non-current provisions and other non-current liabilities amounting to \$1,194,683 as of December 31, 2022, \$986,024 are due in between more than one and three years, \$85,882 are due in between three to five years, and \$122,777 are due after five years. Of the total amount of non-current provisions and other non-current liabilities amounting to \$727,809 as of December 31, 2021, \$394,587 are due in between more than one and three years, \$178,049 are due in between three to five years, and \$155,173 are due after five years. Of the total amount of non-current provisions and other non-current liabilities amounting to \$1,078,437 as of January 1, 2021, \$815,823 are due in between more than one and three years, \$113,860 are due in between three to five years, and \$148,754 are due after five years.

Non-current provisions

The following table shows the development of non-current provisions in the fiscal year:

Development of non-current provisions
in \$ THOUS

	January 1, 2022	Utilized	Additions	Reclassifications	December 31, 2022
Self-insurance programs	136,375	—	156	15,525	152,056
Personnel expenses	15,953	(9,982)	—	—	5,971
Income taxes payable	6,041	—	2,148	—	8,189
Interest payable related to income taxes	856	—	23	—	879
Other non-current provisions	11,138	(1,617)	—	—	9,521
Non-current provisions	170,363	(11,599)	2,327	15,525	176,616

For further information regarding self-insurance programs, see note 3 d).

Personnel expenses mainly refer to provisions for share-based plans. As of December 31, 2022, and 2021 and January 1, 2021, the provisions for share-based plans amounted to \$5,971, \$15,953, and \$32,064, respectively. See note 20.

Other non-current liabilities

The item "Other non-current liabilities" in the amount of \$1,018,067, \$557,446 and \$894,139 as of December 31, 2022, 2021 and January 1, 2021 include, among others, put option liabilities of \$846,042, \$344,764, and \$286,893, respectively.

17. Employee Benefit Plan

General

FMCH recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Company. The Company's pension plans are structured in accordance with the differing legal, economic and fiscal circumstances in the United States. The Company currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Company is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Company's defined benefit plan is funded.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are assumptions on life expectancy, the discount rate and future salary and benefit levels. Under the Company's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefit obligations and the return on plan assets for that year. The Company's pension liability is impacted by these actuarial gains or losses.

Under the defined contribution plan, the Company pays defined contributions to an independent third party as directed by the employee during the employee's service life, which satisfies all obligations of the Company to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Company paid contributions upon leaving the Company.

Defined benefit pension plans

During the first quarter of 2002 FMCH curtailed its defined benefit and supplemental executive retirement plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. The Company has retained all employee benefit obligations as of the curtailment date. Each year FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In 2022, FMCH did not have a minimum funding requirement. The Company voluntarily provided \$1,187 to the defined benefit plan. Expected funding for 2023 is \$1,230.

The benefit obligation for the defined benefit plan as of December 31, 2022, 2021 and January 1, 2021 was \$353,214, \$473,301, and \$472,843, respectively.

Controlling and managing the administration of the plan was delegated by the Company to an administrative committee. This committee has the authority and discretion to manage the assets of the fund and to approve and adopt certain plan amendments. The board of directors of National Medical Care, Inc., a subsidiary of the Company, reserves the right to approve or adopt all major plan amendments, such as termination, modification or termination of the future benefit accruals and plan mergers with other pension plans.

Related to defined benefit plans, the Company is exposed to certain risks. Besides general actuarial risks, e.g., the longevity risk and the interest rate risk, the Company is exposed to market risk as well as to investment risk.

The following table shows the changes in benefit obligations, the changes in plan assets, the net funded position and the net liability of the pension plans.

Net pension liability

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Change in benefit obligation:			
Benefit obligation at beginning of year	473,301	472,843	448,617
Current service cost	7,903	7,260	5,478
Past service cost	—	—	(278)
Interest cost	13,929	14,079	15,732
Actuarial (gains) losses arising from changes in financial assumptions	(114,412)	1,082	32,524
Actuarial (gains) losses arising from changes in demographic assumptions	—	1,817	(114)
Actuarial (gains) losses arising from experience adjustments	812	1,524	957
Administrative expense paid	(5,351)	(3,226)	(4,520)
Remeasurements	376,182	495,379	498,396
Benefits paid	(22,968)	(22,078)	(25,553)
Benefit obligation at end of year	353,214	473,301	472,843

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Change in plan assets:

Fair value of plan assets at beginning of year	379,494	381,591	355,012
Interest income from plan assets	11,097	11,239	12,388
Actuarial gains (losses) arising from experience adjustments	(86,818)	10,780	32,955
Administrative expense paid	(5,351)	(3,226)	(4,520)
Actual return on plan assets	298,422	400,384	395,835
Employer contributions	1,187	1,188	11,309
Benefits paid	(22,968)	(22,078)	(25,553)
Fair value of plan assets at end of year	276,641	379,494	381,591
Net pension liability at end of year	76,573	93,807	91,252

For the years 2022 and 2021, there were no effects from the asset ceiling.

As of December 31, 2022 and 2021 and January 1, 2021, the weighted average durations of the defined benefit obligation were 10.0 years, 12.6 years and 12.8 years, respectively.

The benefit plan offered by the Company contains a pension liability of \$76,573, \$93,807, and \$91,252 as of December 31, 2022, and 2021 and January 1, 2021, respectively. The pension liability consists of a current portion of \$1,202, \$1,328, and \$1,281, for December 31, 2022, and 2021 and January 1, 2021, respectively, which is recorded in the line item "Current provisions and other current liabilities" in the consolidated statements of financial position. The non-current portion of \$75,370, \$92,477, and \$89,971, as of December 31, 2022 and 2021 and January 1, 2021, respectively, is recorded in "Non-current provisions and other non-current liabilities" in the consolidated statements of financial position.

The discount rates for the plans are based upon yields of portfolios of highly rated debt instruments with maturities that mirror each plan's benefit obligation. The Company's discount rates as of December 31, 2022, and 2021 are the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31, 2022 and 2021, and January 1, 2021:

Weighted average assumptions

<i>in %</i>	December 31, 2022	December 31, 2021	January 1, 2021
Discount rate	5.60	3.03	3.05

Sensitivity analysis

Increases and decreases in principal actuarial assumption by 0.5 percentage points would affect the pension liability as of December 31, 2022 as follows:

Sensitivity analysis

<i>in \$ THOUS</i>	0.5% increase	0.5% decrease
Discount rate	(16,255)	17,787

An increase of the mortality rate of 10% would reduce the pension liability by \$8,772, while a decrease of 10% would increase the pension liability by \$9,883 as of December 31, 2022.

The sensitivity analysis was calculated based on the average duration of the pension obligations determined as of December 31, 2022. The calculations were performed isolated for each significant actuarial parameter, in order to show the effect on the fair value of the pension liability separately.

The sensitivity analysis for compensation increases and for pension increases is not assessed because the pension plan is frozen and therefore is not affected by changes from these two actuarial assumptions.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The defined benefit pension plans' net periodic benefit costs are comprised of the following components for the years ended December 31, 2022, and 2021:

Components of net periodic benefit cost

in \$ THOUS

	2022	2021
Service cost	7,903	7,260
Net interest cost	2,832	2,839
Net periodic benefits costs	10,735	10,099

Service cost and net interest cost are allocated as personnel expense within costs of revenues; selling, general and administrative expense; or research and development expense. This is depending upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the years ended December 31, 2022, and 2021:

Weighted average assumptions

in %

	2022	2021
Discount rate	3.03	3.05
Rate of compensation increase	3.50	3.50

Expected benefit payments are as follows:

Defined benefit pension plans: cash outflows

in \$ THOUS

	2022	2021
1 year	24,450	24,101
1 – 3 years	50,647	49,924
3 – 5 years	51,907	51,770
5 – 10 years	130,295	131,554
Total	257,299	257,349

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Plan assets

The following table presents the fair values of the Company's pension plan assets as of December 31, 2022 and 2021 and January 1, 2021:

Fair values of plan assets

in \$ THOUS

Asset category	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
		Level 1	Level 2	Level 3
		December 31, 2022		
Equity investments				
Index funds ⁽¹⁾	78,130	9,160	68,970	—
Fixed income investments				
Government securities ⁽²⁾	4,262	4,042	220	—
Corporate bonds ⁽³⁾	180,932	—	180,932	—
Other bonds ⁽⁴⁾	10,660	—	4,156	6,504
U.S. Treasury money market funds ⁽⁵⁾	2,657	2,657	—	—
Total	276,641	15,859	254,278	6,504

Fair values of plan assets

in \$ THOUS

Asset category	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
		Level 1	Level 2	Level 3
		December 31, 2021		
Equity investments				
Index funds ⁽¹⁾	106,899	11,155	95,744	—
Fixed income investments				
Government securities ⁽²⁾	10,444	10,153	291	—
Corporate bonds ⁽³⁾	240,103	—	240,103	—
Other bonds ⁽⁴⁾	17,586	—	8,282	9,304
U.S. Treasury money market funds ⁽⁵⁾	4,462	4,462	—	—
Total	379,494	25,770	344,420	9,304

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Fair values of plan assets

in \$ THOUS

Asset category	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
		Level 1	Level 2	Level 3
		January 1, 2021		
Equity investments				
Index funds ⁽¹⁾	108,193	10,953	97,240	—
Fixed income investments				
Government securities ⁽²⁾	19,290	18,948	342	—
Corporate bonds ⁽³⁾	224,375	—	224,375	—
Other bonds ⁽⁴⁾	20,341	—	11,510	8,831
U.S. Treasury money market funds ⁽⁵⁾	9,392	9,392	—	—
Total	381,591	39,293	333,467	8,831

(1) This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.

(2) This Category comprises fixed income investments by the U.S. government and government sponsored entities.

(3) This Category primarily represents investment grade bonds of U.S. issuers from diverse industries.

(4) This Category comprises private placement bonds as well as collateralized mortgage obligations.

(5) This Category represents funds that invest in U.S. treasury obligations directly or in U.S. treasury backed obligations.

The methods and inputs used to measure the fair value of plan assets at the balance sheet date are as follows:

- Common stocks are valued at their market prices.
- Index funds are valued based on market quotes.
- Government bonds are valued based on both market prices and market quotes.
- Corporate bonds and other bonds are valued based on market quotes.
- Cash is stated at nominal value which equals the fair value.
- U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

Plan investment policy and strategy

The Company periodically reviews the assumption for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class.

The Company's overall investment strategy is to achieve a mix of approximately 99% of investments for long-term growth and income and 1% in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the plan investment policy and include well diversified index funds or funds targeting index performance.

The plan investment policy, utilizing a revised target investment allocation in a range around 26% equity and 74% fixed income investments, considers that there will be a time horizon for invested funds of more than 5 years. The total

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

portfolio will be measured against a custom index that reflects the asset class benchmarks and the target asset allocation. The plan investment policy does not allow investments in securities of the Company or other related party securities. The performance benchmarks for the separate asset classes include S&P 500 Index, S&P 400 Mid-Cap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long-Corporate Bond Index, Bloomberg Barclays U.S. Corporate High Yield Index, and Bloomberg Barclays U.S. High Yield Fallen Angel 3% Capped Index.

Defined contribution plan

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of \$22.5 if under 50 years old (\$30.0 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2022 and 2021, was \$81,432 and \$79,968, respectively.

18. Equity

Common stock

The Company did not purchase any shares of its common stock in 2022 or 2021. As of December 31, 2022, and 2021, and January 1, 2021, the Company had 83,985,000 shares of common stock outstanding.

Additional paid-in capital

Additional paid-in capital is comprised of the premium paid on the issue of shares and stock options, the tax effects from stock options, the compensation expense from stock options, which is recognized according to IFRS 2, as well as changes in ownership interest in a subsidiary that does not result in a loss of control. Additional paid in capital increased primarily as a result of the business combination of InterWell Health LLC (see note 4 for further information) and related tax basis differences in the amount of \$41,076 (\$41,212 as of the Acquisition Date) as well as other purchases of noncontrolling interests in dialysis clinics in the United States.

Retained earnings

Retained earnings is comprised mainly of earnings generated by consolidated entities in prior years to the extent that they have not been distributed as well as changes of the put option liabilities.

Dividends

Annual cash dividends are paid to the parent company KGAA via instruction of the controlling entity when funds are available.

Total dividend of \$707,786 for 2022 in the amount \$8.42 per share which includes a \$700,000 promissory note and \$7,786 of cash paid in December 2022.

Cash dividends of \$800,000 for 2021 in the amount of \$9.52 per share were paid in December 2021.

Noncontrolling interests

Noncontrolling interests represent the proportion of the net assets of consolidated subsidiaries owned by minority shareholders. The Company has purchase obligations under put options held by the holders of noncontrolling interests in certain of its subsidiaries. These obligations result from contractual put options and are exercisable by the owners of the noncontrolling interests. In addition to noncontrolling interests, the related potential obligations under these put options are reclassified from equity of the Company, with no impact to the income statement, and recognized as a put option liability at the present value of the exercise price of the options in other current or non-current liabilities.

19. Capital management

The principal objectives of the Company's capital management strategy are to optimize the weighted average cost of capital and to achieve a balanced mix of total equity and debt. The dialysis industry, in which the Company has a strong market position in global, growing and largely non-cyclical markets, is characterized by recurring cash flows. Due to the Company's payors' mostly high credit quality, it is able to generate high, stable, predictable and sustainable cash flows. These generated cash flows allow a reasonable proportion of debt.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

As of December 31, 2022, and December 31, 2021, and January 1, 2021 total equity and debt were as follows:

Total equity, debt and total assets

in \$ THOUS, unless stated otherwise

	December 31, 2022	December 31, 2021	January 1, 2021
Total equity including noncontrolling interests	10,771,028	10,942,123	10,896,950
Debt and lease liabilities	10,643,661	10,672,054	10,936,391
Total assets	26,564,805	26,950,946	27,562,340
Debt and lease liabilities in % of total assets	40.1%	39.6%	39.7%
Total equity in % of total assets (equity ratio)	40.5%	40.6%	39.5%

The Parent Company's financing strategy aims at ensuring financial flexibility, managing financial risks and optimizing its financing cost. The Company ensures its financial flexibility through maintaining sufficient liquidity. Refinancing risks are limited due to a balanced debt maturity profile, which is characterized by a wide range of maturities of up to 2038. In the choice of financing instruments, market capacity, investor diversification, financing conditions and the existing maturity profile are taken into account (see note 15).

20. Share-based plans

The Company accounts for its share-based plans in accordance with IFRS 2 and has as of December 31, 2022, various share-based compensation plans, which may either be equity- or cash-settled. These plans enable the members of the Management Board, the members of the management boards of affiliated companies, managerial staff members and the senior members of the Company's managerial staff who serve on the Company's Executive Committee (Executive Committee) to adequately participate in the long-term, sustained success of the Company. All targets references below refer to FMC KGaA's results, not FMCH. The Fresenius Medical Care AG & Co. KGaA Long Term Incentive Plan 2016 (LTIP 2016), the Fresenius Medical Care AG & Co. KGaA NxStage Long Term Incentive Plan (NxStage LTIP), the Fresenius Medical Care AG & Co. KGaA Long Term Incentive Plan 2019 (LTIP 2019), and the Fresenius Medical Care AG & Co. KGaA Long Term Incentive Plan 2022+ (LTIP 2022+) are each variable compensation programs with long-term incentive effects which allocate or allocated so-called "Performance Shares." Performance Shares are non-equity, cash-settled virtual compensation instruments which may entitle plan participants to receive a cash payment depending on the achievement of pre-defined performance targets further defined below as well as the Company's share price development.

The following table provides an overview of these plans.

	LTIP 2022+	LTIP 2019	NxStage LTIP	LTIP 2016
Eligible persons	Other Plan participants	Other Plan participants	Other Plan participants	Members of the Management Board and other plan participants
Years in which an allocation occurred	2022	2019–2021	2019	2016–2018
Months in which an allocation occurred	July, December	July, December	February	July, December

Under the current compensation system, the supervisory board of Management AG defines an initial value for each Management Board member's allocation by applying a multiplier to the relevant base salary. Such allocation value equals 135% (multiplier of 1.35) of the relevant base salary. In case of appointments to the Management Board during a fiscal year, the amount to be allocated to such member can be pro-rated. For other plan participants, the determination of the allocation value will be made by the Management Board, taking into account the individual responsibility of each plan participant. The initial allocation value is determined in the currency in which the respective participant receives his or her base salary at the time of the allocation. In order to determine the number of Performance Shares each plan participant receives, the respective allocation value will be divided by the value per Performance Share at the time of

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

the allocation, which is mainly determined based on the average price of the Company's shares over a period of thirty calendar days prior to the respective allocation date.

During 2022, the Company allocated 1,245,163 Performance Shares under the LTIP 2022+ at a measurement date weighted average fair value of \$28.01 each and a total fair value of \$34,875, which will be revalued if the fair value changes. The total fair value will be amortized over the vesting period.

During 2021, the Company allocated 718,305 Performance Shares under the LTIP 2019 at a measurement date weighted average fair value of \$62.88 each and a total fair value of \$45,167, which will be revalued if the fair value changes. The total fair value will be amortized over the vesting period.

During 2020, the Company allocated 606,783 Performance Shares under the LTIP 2019 at a measurement date weighted average fair value of \$76.28 each and a total fair value of \$46,283, which will be revalued if the fair value changes. The total fair value will be amortized over the vesting period.

The number of allocated Performance Shares may change over the performance period of three years, depending on the level of achievement of the following: (i) Revenue growth at constant currency (Revenue Growth), (ii) Net Income growth at constant currency (Net Income Growth) and (iii) Return On Invested Capital (ROIC).

Revenue, Net Income and ROIC are determined according to the Company's consolidated reported and audited figures in Euro for the financial statements prepared in accordance with IFRS, applying the respective plan terms. Revenue Growth, Net Income Growth, for the purpose of the relevant plan, are determined at constant currency.

Fresenius Medical Care AG & Co. KGaA long-term incentive plans during 2022 (Performance Shares)

For the members of the management boards of affiliated companies and managerial staff members, the Management Board has approved and adopted the LTIP 2022+ effective January 1, 2022.

For allocations in fiscal year 2022, the target achievements of the performance targets Revenue Growth and Net Income Growth are calculated based on a Compound Annual Growth Rate (CAGR) over the 3-year performance period. The basis for the first annual growth rate is 2021. For ROIC, annual target values apply. For all three performance targets, target achievement corridors which will be used for the calculation of the respective target achievements were defined.

For allocations in fiscal year 2022, the degree of target achievement for all three performance targets is weighted with 1/3 for the purpose of determining the overall target achievement at the end of the performance period. The relevant target achievement for Revenue Growth and Net Income Growth is determined based on the CAGR over the entire performance period. The relevant target achievement for the ROIC target is determined based on the average annual target achievement for the ROIC during the performance period (i.e., 1/3 weighting per performance year). The overall target achievement will not exceed 200%.

The number of performance shares allocated to plan participants at the beginning of the performance period is multiplied with the degree of overall target achievement to determine the final number of performance shares.

For the LTIP 2022+, the final number of Performance Shares generally vests three years after the allocation date. The number of vested performance shares is then multiplied with the average share price of the Company during a period of 30 days prior to the end of this vesting period. The resulting amount, which is capped in total at an amount equaling 400% of the allocation value received by the participant, will then be paid to the plan participants as cash compensation.

Fresenius Medical Care AG & Co. KGaA long-term incentive plans during 2016–2021 (Performance Shares)

Allocations under the LTIP 2016 could be made throughout 2016 to 2018, and under the LTIP 2019 throughout 2019 to 2021. In 2019, an allocation under the NxStage LTIP was made to the management board and managerial staff members of NxStage Medical, Inc. (NxStage) in the course of the integration of NxStage into the Company.

For Performance Shares allocated throughout 2020 to 2021, for the fiscal years 2020, 2021 and 2022, an annual target achievement level of 100% will be reached for the Revenue Growth performance target if Revenue Growth is 6%; Revenue Growth of 1% will lead to a target achievement level of 0% and the maximum target achievement level of

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

200% will be reached in case of Revenue Growth of at least 11%. If Revenue Growth ranges between these values, the degree of target achievement will be linearly interpolated between these values.

For Performance Shares allocated throughout 2020 to 2021, for the fiscal years 2020, 2021 and 2022, an annual target achievement level of 100% for the Net Income Growth performance target will be reached if Net Income Growth is 5%. In case of Net Income Growth of 0%, the target achievement level will also be 0%; the maximum target achievement of 200% will be reached in the case of Net Income Growth of at least 10%. If Net Income Growth ranges between these values, the degree of target achievement will be linearly interpolated between these values.

For Performance Shares allocated throughout 2020 to 2021, for the fiscal years 2020, 2021 and 2022, an annual target achievement level of 100% for the ROIC performance target will be reached if ROIC is 6.0%. In case of a ROIC of 5.5%, the target achievement level will be 0%; the maximum target achievement of 200% will be reached in the case of a ROIC of at least 6.5%. Between these values, the degree of target achievement will be determined by means of linear interpolation.

For Performance Shares allocated throughout 2016 to 2019, for each individual year of the three-year performance period an annual target achievement level of 100% will be reached for the Revenue Growth performance target if Revenue Growth is 7%; Revenue Growth of 0% will lead to a target achievement level of 0% and the maximum target achievement level of 200% will be reached in case of Revenue Growth of at least 16%. If Revenue Growth ranges between these values, the degree of target achievement will be linearly interpolated between these values.

For Performance Shares allocated throughout 2016 to 2019, for each individual year of the three-year performance period an annual target achievement level of 100% for the Net Income Growth performance target will be reached if Net Income Growth is 7%. In case of Net Income Growth of 0%, the target achievement level will also be 0%; the maximum target achievement of 200% will be reached in the case of Net Income Growth of at least 14%. Between these values, the degree of target achievement will be determined by means of linear interpolation.

For Performance Shares allocated throughout 2016 to 2019, an annual target achievement level of 100% for ROIC will be reached if the target ROIC as defined for the applicable year is reached. For Performance Shares allocated throughout 2016 to 2019, the target ROIC is 7.3% for 2016, 7.5% for 2017, 7.7% for 2018, 7.9% for 2019 8.1% for 2020 and 8.1% for 2021. A target achievement level of 0% will be reached if the ROIC falls below the target ROIC for the applicable year by 0.2 percentage points or more, whereas the maximum target achievement level of 200% will be reached if the target ROIC for the respective year is exceeded by 0.2 percentage points or more. The degree of target achievement will be determined by means of linear interpolation if the ROIC ranges between these values. In case the annual ROIC target achievement level in the third year of a performance period for Performance Shares allocated throughout years 2016 to 2019 is equal to or higher than the ROIC target achievement level in each of the two previous years of such performance period, the ROIC target achievement level of the third year is deemed to be achieved for all years of the applicable performance period.

For Performance Shares allocated throughout 2016 to 2021, the target achievement level for each of the three performance targets will be weighted annually at one-third to determine the yearly target achievement for each year of the three-year performance period. The level of overall target achievement over the three-year performance period will then be determined on the basis of the mean of these three average yearly target achievements. The overall target achievement can be in a range of 0% to 200%.

For Performance Shares allocated in fiscal year 2019 under the LTIP 2019, the level of target achievement may be subject to an increase if certain targets in relation to the second phase of the Company's Global Efficiency Program (GEP-II targets), which are measured at constant currency, and in relation to the Free Cash Flow (Free Cash Flow target) are achieved. For these Performance Shares, the overall target achievement shall be increased by 20 percentage points if the GEP-II targets achievement is 100%. Furthermore, the overall target achievement for these Performance Shares shall be increased by 20 percentage points if the Free Cash Flow target achievement is 200%. In case of a GEP-II targets achievement between 0% and 100% and a Free Cash Flow target achievement between 0% and 200%, the increase of the overall target achievement will be calculated by means of linear interpolation. The overall target achievement shall not exceed 200%.

The number of Performance Shares allocated to the plan participants at the beginning of the performance period will each be multiplied by the level of overall target achievement in order to determine the final number of Performance Shares.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

For the LTIP 2019, the final number of Performance Shares is generally deemed earned three years after the day of a respective allocation. The number of such vested Performance Shares is then multiplied by the average Company share price over a period of thirty calendar days prior to the lapse of this vesting period. The respective resulting amount, which is capped in total at an amount equaling 400% of the allocation value received by the participant, will then be paid to the plan participants as cash compensation.

For the NxStage LTIP, the final number of Performance Shares allocated in February 2019 is generally deemed earned in December 2022. The number of such vested Performance Shares is then multiplied by the average Company share price over a period of thirty calendar days prior to the lapse of this vesting period. The resulting amount will then be paid to the plan participants as cash compensation.

For the LTIP 2016, the final number of Performance Shares is generally deemed earned four years after the day of an allocation. The number of such vested Performance Shares is then multiplied by the average Company share price over a period of thirty calendar days prior to the lapse of this vesting period. The resulting amount will then be paid to the plan participants as cash compensation.

Fresenius Medical Care AG & Co. KGaA long-term incentive program 2011 (stock options and Phantom Stock)

On May 12, 2011, the 2011 SOP was established by resolution of the Company's AGM. The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the General Partner's Management and supervisory boards, forms the Company's LTIP 2011. Under the LTIP 2011, participants were granted awards, which consisted of a combination of stock options and Phantom Stock. Awards under the LTIP 2011 were subject to a four-year vesting period. Vesting of the awards granted was subject to achievement of pre-defined performance targets. The 2011 SOP was established with a conditional capital increase up to €12,000 subject to the issue of up to twelve million non-par value bearer ordinary shares with a nominal value of €1.00 per share. The final grant under the LTIP 2011 was made in December 2015.

Stock options granted under the LTIP 2011 have an eight-year term and can be exercised for the first time after a four-year vesting period. The exercise price of stock options granted under the LTIP 2011 shall be the average stock exchange price on the Frankfurt Stock Exchange of the Company's shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the LTIP 2011 to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Stock options under the LTIP 2011 are not transferable by a participant or a participant's heirs, and may not be transferred, pledged, assigned, or disposed of otherwise.

Phantom Stock awards under the LTIP 2011 entitled the holders to receive payment in euro from the Company upon exercise of the Phantom Stock. The payment per Phantom Stock in lieu of the issuance of such stock was based upon the share price on the Frankfurt Stock Exchange of one of the Company's shares on the exercise date. Phantom Stock awards had a five-year term and could be exercised for the first time after a four-year vesting period. For participants who were U.S. taxpayers, the Phantom Stock was deemed to be exercised in any event in the month of March following the end of the vesting period.

Plan participants held 1,694,854 and 2,017,084 stock options, as of December 31, 2022 and 2021, respectively, under the 2011 SOP.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Additional information on share-based plans

The table below provides reconciliations for options outstanding as of December 31, 2022, and 2021.

Transactions

	Options	Weighted average
	(in thousands)	exercise price
		\$
Stock options for shares:		
Balance as of January 1, 2021	2,111	88.57
Exercised ⁽¹⁾	(75)	56.45
Expired	(19)	81.84
Balance as of December 31, 2021	2,017	82.69
Exercised ⁽²⁾	(227)	53.26
Expired	(95)	60.32
Balance as of December 31, 2022	1,695	82.16

(1) The average share price at the date of exercise of the options was \$78.07.

(2) The average share price at the date of exercise of the options was \$57.20.

The following tables provide a summary of fully vested options outstanding and exercisable for ordinary shares as of December 31, 2022 and 2021, respectively:

Stock options 2022

	Fully vested outstanding and exercisable options		
	Number of	Weighted average	Weighted
	Options	remaining contractual	average
		life in years	exercise price
Options for ordinary shares	1,694,854	0.58	\$82.16

Stock options 2021

	Fully vested outstanding and exercisable options		
	Number of	Weighted average	Weighted
	Options	remaining contractual	average
		life in years	exercise price
Options for ordinary shares	2,017,084	1.43	\$82.69

During the years ended December 31, 2022 and 2021, the Parent Company received cash of \$11,950 and \$4,426, respectively, from the exercise of stock options. The intrinsic value of options exercised for the years ended December 31, 2022 and 2021 were \$896 and \$1,446, respectively. The Company recorded a related tax benefit of \$238 and \$378 for the years ended December 31, 2022 and 2021, respectively.

The compensation expense related to equity-settled stock option programs was determined based upon the fair value on the grant date and the number of stock options granted which was recognized over the four-year vesting period. The Company did not incur compensation expense in connection with the 2011 SOP during the years ended December 31, 2022, and 2021.

The compensation expense related to cash-settled share-based payment transactions is determined based upon the fair value at the measurement date and the number of Performance Shares allocated which will be recognized over

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

the vesting period. The compensation expense (income) that the Company recognized for Performance Shares for the years ended December 31, 2022, and 2021, respectively, is presented in the table below.

Compensation expense (income) related to cash-settled plans

<i>in \$ THOUS</i>	2022	2021
LTIP 2022+	3,207	—
LTIP 2019	(4,399)	20,728
LTIP 2016	(2,893)	2,506

21. Leases

The Company leases land, buildings and improvements, machinery and equipment, as well as IT and office equipment under various lease agreements expiring on dates through 2054. Lease agreements frequently include renewal options and require that the Company pay for utilities, taxes, insurance and maintenance expenses. Options to purchase are also included in some lease agreements. The exercise of lease renewal options is at the Company's sole discretion and the lease right-of-use assets and liabilities reflect only the options reasonably certain of exercise. The Company's lease agreements sometimes contain residual value guarantees. For additional information regarding residual value guarantees, see note 22.

Leasing in the consolidated statements of income

The following table shows the effects from lease agreements on the consolidated statements of income for the year ended December 31, 2022, and 2021:

Leasing in the consolidated statements of income

<i>in \$ THOUS</i>	2022	2021
Depreciation on right-of-use assets	595,262	609,421
Impairments on right-of-use assets	28,396	16,369
Expenses relating to short-term leases	28,484	24,296
Expenses relating to leases of low-value assets	1,004	5,126
Expenses relating to variable lease payments	6,022	5,599
Income from subleasing right-of-use assets	3,298	3,468
Interest expense on lease liabilities	123,824	132,285

Leases in the consolidated statements of financial position

As of December 31, 2022, December 31, 2021 and January 1, 2021, the acquisition costs and the accumulated depreciation of right-of-use assets consisted of the following:

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Acquisition costs

in \$ THOUS

	January 1, 2022	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2022
Right-of-use assets: Land	11,423	—	—	618	—	(853)	11,188
Right-of-use assets: Buildings and improvements	5,100,503	1,094	(1,936)	336,711	—	(32,217)	5,404,155
Right-of-use assets: Machinery and equipment	385,481	175	—	27,057	(45,373)	(68,987)	298,353
Right-of-use assets	5,497,407	1,269	(1,936)	364,386	(45,373)	(102,057)	5,713,696

Acquisition costs

in \$ THOUS

	January 1, 2021	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2021
Right-of-use assets: Land	8,439	—	—	2,984	—	—	11,423
Right-of-use assets: Buildings and improvements	4,545,471	(212)	43,352	537,279	380	(25,767)	5,100,503
Right-of-use assets: Machinery and equipment	423,091	504	(694)	23,583	(56,736)	(4,267)	385,481
Right-of-use assets	4,977,001	292	42,658	563,846	(56,356)	(30,034)	5,497,407

Depreciation

in \$ THOUS

	January 1, 2022	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2022
Right-of-use assets: Land	3,646	—	—	1,157	—	(457)	4,346
Right-of-use assets: Buildings and improvements	1,563,762	61	(1,838)	551,006	—	1,913	2,114,904
Right-of-use assets: Machinery and equipment	250,887	(157)	—	49,684	(2,968)	(67,462)	229,984
Right-of-use assets	1,818,295	(96)	(1,838)	601,847	(2,968)	(66,006)	2,349,234

Depreciation

in \$ THOUS

	January 1, 2021	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2021
Right-of-use assets: Land	2,494	—	—	1,148	—	4	3,646
Right-of-use assets: Buildings and improvements	1,024,437	313	(2,580)	542,513	380	(1,301)	1,563,762
Right-of-use assets: Machinery and equipment	199,025	(102)	(253)	73,487	(18,339)	(2,931)	250,887
Right-of-use assets	1,225,956	211	(2,833)	617,148	(17,959)	(4,228)	1,818,295

Book value

in \$ THOUS

	December 31, 2022	December 31, 2021	January 1, 2021
Right-of-use assets: Land	6,842	7,777	5,945
Right-of-use assets: Buildings and improvements	3,289,251	3,536,741	3,521,034
Right-of-use assets: Machinery and equipment	68,369	134,594	224,066
Right-of-use assets	3,364,462	3,679,112	3,751,045

Depreciation expense is allocated within costs of revenue and selling, general and administrative expense depending upon the area in which the asset is used.

Impairment losses are allocated within costs of revenue and selling, general and administrative expense, depending upon the area in which the asset is used.

For a maturity analysis of lease liabilities see note 23.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Leasing in the consolidated statements of cash flows

Total cash outflows from leases was \$7,835,685 and \$8,117,953 for the years ended December 31, 2022 and 2021, respectively.

Leases that the Company entered into as a lessee that have not yet begun as of December 31, 2022 and 2021 will result in future cash outflows of \$141,020 and \$133,618, respectively.

Potential future cash outflows resulting from purchase options of \$17,650 and \$34,327 were not reflected in the measurement of the lease liabilities as of December 31, 2022, and 2021, respectively, as the exercise of the respective options is not reasonably certain.

Potential future cash outflows resulting from extension options of \$7,670,993 and \$7,944,413 were not reflected in the measurement of the lease liabilities as of December 31, 2022, and 2021, respectively, as the exercise of the respective options is not reasonably certain. The major part of these potential future cash outflows relates to extension options in real estate lease agreements, primarily for dialysis clinics. Individual lease agreements include multiple extension options. The Company uses extension options to obtain a high degree of flexibility in performing its business. These extension options held are exercisable solely by the Company.

22. Commitments and contingencies

Legal and regulatory matters

The Company is routinely involved in claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products. Legal matters that the Company currently deems to be material or noteworthy are described below. The Company records its litigation reserves for certain legal proceedings and regulatory matters to the extent that the Company determines an unfavorable outcome is probable and the amount of loss can be reasonably estimated. For the other matters described below, the Company believes that the loss is not probable and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with the Company's view of the merits can occur. The Company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Personal injury and related litigation involving FMCH's acid concentrate product, labeled as Granuflo® or Naturalyte®, first arose in 2012. FMCH's insurers agreed to the settlement in 2017 of personal injury litigation and funded \$220,000 of the total \$250,000 settlement under a reciprocal reservation of rights. FMCH accrued a net expense of \$60,000 in connection with the settlement, encompassing its contribution of \$30,000 to the personal injury settlement plus \$30,000 in related but uninsured fees and costs. Following the settlement, FMCH's insurers in the AIG group initiated litigation against FMCH seeking to be indemnified by FMCH for their \$220,000 outlay and FMCH initiated litigation against the AIG group to recover defense and indemnification costs FMCH had borne. *National Union Fire Insurance v. Fresenius Medical Care*, 2016 Index No. 653108 (Supreme Court of New York for New York County).

As litigation proceeded, the parties refined their positions, resulting in AIG requesting recovery of approximately \$60,000 of its settlement outlay and FMCH requesting \$108,000 in defense fees and costs. The parties filed multiple, cross motions for summary judgment. On January 12, 2023, the trial court decided these motions. Among its rulings, the court largely rejected both FMCH's theories for recovering defense costs and AIG's theories for recovering settlement funding. However, the trial court denied both parties' motions on one issue and severed and continued that issue for trial. Trial on this remaining issue is scheduled to begin March 11, 2024. Both parties have preserved appeals on the court's summary judgment ruling.

In August 2014, FMCH received a subpoena from the United States Attorney's Office ("USAO") for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians involving contracts relating to the management of in-patient acute dialysis services. Thereafter, the USAO conducted an investigation, in which FMCH cooperated, and declined to intervene in the matter. After the United States District Court for Maryland unsealed the 2014 relator's qui tam complaint that gave rise to the investigation, the relator served the complaint and proceeded on his own by filing an amended complaint, which FMCH moved to dismiss on multiple grounds. On October 5, 2021, on FMCH's motion, the District Court for Maryland transferred the case to the United States District Court for

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Massachusetts. *Flanagan v. Fresenius Medical Care Holdings, Inc.*, 1:21-cv-11627. On December 5, 2022, the Massachusetts District Court granted FMCH's motion and dismissed the case with prejudice. Relator has filed a motion to reconsider and asserted his intent to appeal.

On November 25, 2015, FMCH received a subpoena under the False Claims Act from the United States Attorney for the Eastern District of New York (Brooklyn) inquiring into FMCH's involvement in certain dialysis facility joint ventures in New York. After the Brooklyn USAO completed its investigation, in which FMCH cooperated, and declined to intervene on the qui tam complaint that gave rise to the investigation, the relator proceeded with litigation on its own. *CKD Project LLC v. Fresenius Medical Care*, 2014 Civ. 06646 (E.D.N.Y. November 12, 2014). On August 3, 2021, the District Court granted FMCH's motion to dismiss the relator's amended complaint, dismissed the case with prejudice and declined to allow further amendment. On December 20, 2022, the United States Court of Appeals for the Second Circuit denied the relator's appeal and affirmed the dismissal. The relator's petition for rehearing *en banc* was denied.

In 2014, two New York physicians filed under seal a qui tam complaint in the United States District Court for the Eastern District of New York (Brooklyn), alleging violations of the False Claims Act relating to FMCH's vascular access line of business. As previously disclosed, on October 6, 2015, the United States Attorney for the Eastern District of New York (Brooklyn) issued subpoenas to FMCH indicating its investigation now seen to be related to the two relators' complaint. FMCH cooperated in the Brooklyn investigation, which was understood to be separate and distinct from settlements entered in 2015 in Connecticut, Florida and Rhode Island of allegations against American Access Care LLC (AAC) following FMCH's 2011 acquisition of AAC.

On July 12, 2022, after the Court denied the USAO's motions to renew the sealing of the relators' complaint, the USAO filed a complaint-in-intervention. *United States ex rel. Pepe and Sherman v. Fresenius Vascular Care, Inc. et al*, 1:14-cv-3505. The United States' and relators' complaints allege that the defendants billed and received government payment for surgery that was not medically necessary. FMCH expects to defend the allegations asserted in the litigation now proceeding.

On November 18, 2016, FMCH received a subpoena under the False Claims Act from the United States Attorney for the Eastern District of New York (Brooklyn) seeking documents and information relating to the operations of Shiel Medical Laboratory, Inc. (Shiel), which FMCH acquired in October 2013. FMCH advised the USAO that, under the asset sale provisions of its 2013 Shiel acquisition, it was not responsible for Shiel's conduct prior to the date of the acquisition. On December 12, 2017, FMCH sold to Quest Diagnostics certain Shiel operations. Nonetheless, FMCH cooperated in the Brooklyn USAO's investigation.

On June 14, 2022, the Brooklyn USAO declined to intervene on two anonymous relator complaints that underlay the investigation. The relators, who remain anonymous, are proceeding with litigation at their own expense against both Shiel and FMCH entities, alleging that the defendants wrongly caused government payers to pay for laboratory tests that were falsely or improperly invoiced and retaliated against relators for objecting to the alleged misconduct. *Relator v. Shiel Medical Laboratory*, 1:16-cv-01090 (E.D.N.Y. 2016); *Relator v. Shiel Holdings*, 1:17-cv-02732 (E.D.N.Y. 2017). FMCH will defend allegations directed against entities it controls.

On December 17, 2018, FMCH was served with a subpoena under the False Claims Act from the United States Attorney for the District of Colorado (Denver) as part of an investigation of allegations against DaVita, Inc. ("Davita") involving transactions between FMCH and DaVita. The subject transactions include sales and purchases of dialysis facilities, dialysis-related products and pharmaceuticals, including dialysis machines and dialyzers, and contracts for certain administrative services. FMCH cooperated in the investigation.

On June 28, 2019, certain FMCH subsidiaries filed a complaint against the United States seeking to recover monies owed to them by the United States Department of Defense under the Tricare program, and to preclude Tricare from recouping monies previously paid. *Bio-Medical Applications of Georgia, Inc., et al. v. United States*, CA 19-947, United States Court of Federal Claims. Tricare provides reimbursement for dialysis treatments and other medical care provided to members of the military services, their dependents and retirees. The litigation challenges unpublished administrative actions by Tricare administrators reducing the rate of compensation paid for dialysis treatments provided to Tricare beneficiaries based on a recasting or "crosswalking" of codes used and followed in invoicing without objection for many years. Tricare administrators have acknowledged the unpublished administrative action and declined to change or abandon it. On July 8, 2020, the U.S. government filed its answer (and confirmed its position) and litigation is continuing. The court has not yet set a date for trial in this matter. FMCH has imposed a constraint on revenue otherwise recognized

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

from the Tricare program that it believes, in consideration of facts currently known, sufficient to account for the risk of this litigation.

On August 21, 2020, FMCH was served with a subpoena from the United States Attorney for the District of Massachusetts requesting information and documents related to urgent care centers that FMCH owned, operated, or controlled as part of its ChoiceOne and Medspring urgent care operations prior to its divestiture of and exit from that line of business in 2018. The subpoena appears to be related to an ongoing investigation of alleged upcoding in the urgent care industry, which has resulted in certain published settlements under the federal False Claims Act. FMCH cooperated in the investigation.

On March 20 and April 12, 2022, respectively, an attorney employed as general counsel for the Company's North American division from 2013 to 2016 filed a complaint with the Occupational Safety and Health Administration (OSHA) under the Sarbanes-Oxley Act of 2002 and other anti-retaliation statutes, and a civil lawsuit in Suffolk County, Massachusetts seeking compensation for personnel management decisions allegedly adverse to him. OSHA Case No. 1-076-22-049; Kott v. National Medical Care, Inc., Case No. 22-802 (Superior Court, Suffolk County, Mass.).

The plaintiff alleges in support of his demands for compensation that he was transferred to a subordinate position in the global legal department, and subsequently terminated from employment as part of the FME25 Program, in retaliation for legal advice he provided with respect to a licensing agreement with DaVita relating to pharmaceutical operations and products. The DaVita licensing agreement expired by its terms in 2017.

As previously disclosed in the Company's financial statements, the United States Department of Justice has reviewed multiple aspects of the DaVita contract in question, including those relevant to the plaintiff's allegations. No enforcement action has resulted against the Company.

Other bases of retaliation alleged by the plaintiff implicate internal personnel and privacy protection concerns that do not impact ongoing operations, and on which the Company does not comment.

On January 3, 2023, FMCH received a subpoena from the Attorney General for the District of Columbia related to the activities of the American Kidney Foundation (AKF) and grounded in anti-trust concerns, including market allocation within the District of Columbia. FMCH's relationship with AKF was the subject of previously reported, but resolved, investigation by agencies of the United States and litigation against United Healthcare. FMCH is cooperating in the District of Columbia investigation.

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other health care providers, insurance plans and suppliers, conducts its operations under intense government regulation and scrutiny. The Company must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of manufacturing facilities, laboratories, dialysis clinics and other health care facilities, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the Company could be subject to significant adverse regulatory actions by the FDA and comparable regulatory authorities outside the U.S. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority which may require the Company to expend significant time and resources in order to implement appropriate corrective actions. If the Company does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the U.S., these regulatory authorities could take additional actions, including product recalls, injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of the Company's products and/or criminal prosecution. FMCH completed remediation efforts with respect to one pending FDA warning letter and is awaiting confirmation as to whether the letter is now closed. The Company must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law, the federal Civil Monetary Penalties Law and the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistleblower actions. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of whistleblower actions, which are initially filed under court seal.

The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of its employees. On occasion, the Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act, Data Protection Laws, the Health Information Technology for Economic and Clinical Health Act and the Foreign Corrupt Practices Act, among other laws and comparable state laws or laws of other countries.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company is subject to ongoing and future tax audits in the U.S., in the ordinary course of business. Tax authorities routinely pursue adjustments to the Company's tax returns and disallowances of claimed tax deductions. When appropriate, the Company defends these adjustments and disallowances and asserts its own claims. A successful tax related claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition and results of operations.

The Company is subject to residual value guarantees in certain lease contracts, primarily real estate contracts, for which it is the lessee in the amount of \$541,070. As of December 31, 2022, the estimated fair market value of the underlying leased assets exceeded the related residual value guarantees and, therefore, the Company did not have any risk exposure relating to these guarantees.

Other than those individual contingent liabilities mentioned above, the current estimated amount of the Company's other known individual contingent liabilities is immaterial. For further information regarding the Company's purchase commitments, see note 9 and note 11.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

23. Financial instruments

The following tables show the carrying amounts and fair values of the Company's financial instruments as of December 31, 2022 and 2021 and January 1, 2021:

Carrying amount and fair value of financial instruments

in \$ THOUS

December 31, 2022	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	393,048	—	—	—	393,048			
Trade accounts and other receivables from unrelated parties	1,953,773	—	—	—	1,953,773			
Accounts receivable from related parties	31,548	—	—	—	31,548			
Derivatives - cash flow hedging instruments	—	—	3,309	—	3,309		3,309	
Derivatives - not designated as hedging instruments	—	281	—	—	281		281	
Equity investments	—	84,283	6,679	—	90,962	38,640	6,679	45,643
Debt securities	—	78,559	247,318	—	325,877	78,559	247,318	
Other financial assets ⁽¹⁾	—	—	—	711,176	711,176			
Financial assets	2,378,369	163,123	257,306	711,176	3,509,974			
Accounts payable to unrelated	570,779	—	—	—	570,779			
Short-term debt	721,501	—	—	—	721,501			
Long-term debt	6,056,610	—	—	—	6,056,610		6,056,610	
Lease liabilities	—	—	—	3,833,786	3,833,786			
Derivatives - cash flow hedging	—	—	103	—	103		103	
Variable payments outstanding for acquisitions	—	11,053	—	—	11,053			11,053
Put option liabilities	—	—	—	1,497,306	1,497,306			1,497,306
Other financial liabilities ⁽²⁾	—	—	—	2,165,291	2,165,291			
Financial liabilities	7,348,890	11,053	103	7,496,383	14,856,429			

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Carrying amount and fair value of financial instruments

in \$ THOUS

December 31, 2021

	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classifi	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	911,507	—	—	—	911,507			
Trade accounts and other receivables from unrelated parties	1,868,344	—	—	—	1,868,344			
Accounts receivable from related parties	4,062	—	—	—	4,062			
Derivatives - cash flow hedging instruments	—	—	9	—	9		9	
Derivatives - not designated as hedging instruments	—	—	—	—	—			
Equity investments	—	274,730	—	—	274,730	217,331		57,399
Debt securities	—	—	242,369	—	242,369		242,369	
Other financial assets ⁽¹⁾	—	—	—	771,011	771,011			
Financial assets	2,783,913	274,730	242,378	771,011	4,072,032			
Accounts payable to unrelated parties	491,687	—	—	—	491,687			
Accounts payable to related parties	3,053	—	—	—	3,053			
Short-term debt	625,372	—	—	—	625,372			
Long-term debt	5,918,530	—	—	—	5,918,530		5,918,530	
Lease liabilities	—	—	—	4,124,09	4,124,091			
Derivatives - cash flow hedging instruments	—	—	2,903	—	2,903		2,903	
Derivatives - not designated as hedging instruments	—	100,654	—	—	100,654		100,654	
Variable payments outstanding for acquisitions	—	12,920	—	—	12,920			12,920
Put option liabilities	—	—	—	1,043,46	1,043,462			1,043,462
Other financial liabilities ⁽²⁾	—	—	—	2,827,93	2,827,936			
Financial liabilities	7,038,642	113,574	2,903	7,995,48	15,150,608			

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Carrying amount and fair value of financial instruments

in \$ THOUS

January 1, 2021

	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	672,382	—	—	—	672,382			
Trade accounts and other receivables from unrelated parties	1,756,911	—	—	—	1,756,911			
Accounts receivable from related parties	1,102,715	—	—	—	1,102,715			
Derivatives - cash flow hedging instruments	—	—	633	—	633		633	
Equity investments	—	352,712	236,163	—	588,875	357,545		231,330
Debt securities	—	—	6,073	—	6,073	6,073		
Other financial assets ⁽¹⁾	—	—	—	848,475	848,475			
Financial assets	3,532,008	352,712	242,869	848,475	4,976,064			
Accounts payable to unrelated parties	495,866	—	—	—	495,866			
Accounts payable to related parties	72,362	—	—	—	72,362			
Short-term debt	785,700	—	—	—	785,700			
Long-term debt	4,883,057	—	—	—	4,883,057		4,883,057	
Lease liabilities	—	—	—	4,164,919	4,164,919			
Derivatives - cash flow hedging instruments	—	—	1,053	—	1,053		1,053	
Derivatives - not designated as hedging instruments	—	48,478	—	—	48,478		48,478	
Variable payments outstanding for acquisitions	—	12,204	—	—	12,204			12,204
Put option liabilities	—	—	—	1,015,581	1,015,581			1,015,581
Other financial liabilities ⁽²⁾	—	—	—	3,232,005	3,232,005			
Financial liabilities	6,236,985	60,682	1,053	8,412,505	14,711,222			

(1) As of December 31, 2022, December 31, 2021 and January 1, 2021 other financial assets primarily include lease receivables, deposits, guarantees, vendor and supplier rebates.

(2) As of December 31, 2022, December 31, 2021 and January 1, 2021, other financial liabilities primarily include receivable credit balances and goods and services received.

Derivative and non-derivative financial instruments are categorized in the following three-tier fair value hierarchy that reflects the significance of the inputs in making the measurements. Level 1 inputs are quoted prices for similar instruments in active markets. Level 2 is defined as using valuation models (i.e., mark-to-model) with input factors that are inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as using valuation models (i.e., mark-to-model) with input factors that are unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions. Fair value information is not provided for financial instruments, if the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments. This includes cash and cash equivalents measured at amortized costs, trade accounts and other receivables from unrelated parties, accounts receivable from related parties, other financial assets as well as accounts payable to unrelated parties, accounts payable to related parties, short-term debt and other financial liabilities. On September 30, 2021, the Company transferred its investment in Humacyte, Inc. ("Humacyte") with a carrying amount of \$183,586 from Level 3 to Level 1, after Humacyte completed its merger with Alpha Healthcare Acquisition Corporation, a special purpose acquisition company. The shares in Alpha Healthcare Acquisition Corporation (now called Humacyte) received by the Company as a result of this merger and in a contemporaneous private placement are quoted in an active market, and Humacyte has registered the Company's shares for resale under the Securities Act of 1933. No additional transfers between levels of the fair value hierarchy have occurred as of December 31, 2021. Transfers between levels of the fair value hierarchy did not occur as of December 31, 2022. The Company accounts for transfers at the end of the reporting period.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Non-derivative financial instruments

The significant methods and assumptions used for the classification and measurement of non-derivative financial instruments are as follows:

The Company assessed its business models and the cash flow characteristics of its financial assets. The vast majority of the non-derivative financial assets are held in order to collect the contractual cash flows. The contractual terms of the financial assets allow the conclusion that the cash flows represent payment of principal and interest only. Trade accounts and other receivables from unrelated parties, accounts receivable from related parties and other financial assets are consequently measured at amortized cost.

Cash and cash equivalents are comprised of cash funds and other short-term investments. Cash funds are measured at amortized cost. Short-term investments are highly liquid and readily convertible to known amounts of cash. Short-term investments are measured at FVPL. The risk of changes in fair value is insignificant.

The majority of the debt securities are held within a business model whose objective is achieving both contractual cash flows and selling the securities.

Long-term debt is initially recognized at its fair value and subsequently measured at amortized cost. The fair values of major long-term debt are calculated on the basis of market information. Liabilities for which market quotes are available are measured using these quotes. The fair values of the other long-term debt are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

Variable payments outstanding for acquisitions are recognized at their fair value. The estimation of the individual fair values is based on the key inputs of the arrangement that determine the future contingent payment as well as the Company's expectation of these factors. The Company assesses the likelihood and timing of achieving the relevant objectives. The underlying assumptions are reviewed regularly.

Put option liabilities are recognized at the present value of the exercise price of the option. The exercise price of the option is generally based on fair value and, in certain limited instances, might contain a fixed floor price. The methodology the Company uses to estimate the fair values assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. From time to time the Company engages an external valuation firm to assist in the valuation of certain put options. The external valuation assists the Company in estimating the fair values using a combination of discounted cash flows and a multiple of earnings and/or revenue. Under those limited circumstances in which the put option might contain a fixed floor price, the external valuation firm may assist the Company with the valuation by performing a Monte Carlo Simulation analysis to simulate the exercise price. The put option liabilities are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The estimated fair values of these put options can also fluctuate, and the discounted cash flows as well as the implicit multiple of earnings and/or revenue at which these obligations may ultimately be settled could vary significantly from the Company's current estimates depending upon market conditions.

For the purpose of analyzing the impact of changes in unobservable inputs on the fair value measurement of put option liabilities, the Company assumes an increase on earnings (or enterprise value for the put options granted in the InterWell Health business combination) of 10% compared to the actual estimation as of the balance sheet date. The corresponding increase in fair value of \$109,925 is then compared to the total liabilities and the shareholder's equity of the Company. This analysis shows that an increase of 10% in the relevant earnings (or enterprise value for the put options granted in the InterWell Health business combination) would have an effect of less than 1% on the total liabilities and 1% on the shareholder's equity of the Company.

As of December 31, 2022, and 2021, and January 1, 2021, the Company's potential obligations under these put option liabilities, which are recorded in other current liabilities and other non-current liabilities, were \$1,497,306, \$1,043,462 and \$1,015,581, respectively. As of December 31, 2022 and 2021 and January 1, 2021, put option liabilities with an aggregate purchase obligation of \$307,456, \$388,953 and \$396,652, respectively, were exercisable. In the last two fiscal years ending December 31, 2022 and 2021, one put option was exercised for a total consideration of \$891.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The following is a roll forward of Level 3 financial instruments as of December 31, 2022 and 2021:

Reconciliation from beginning to ending balance of level 3 financial instruments

in \$ THOUS

	2022			2021		
	Equity investments	Variable payments outstanding for acquisitions	Put option liabilities	Equity investments	Variable payments outstanding for acquisitions	Put option liabilities
Beginning balance as of January 1,	57,399	12,920	1,043,462	231,330	12,204	1,015,581
Transfer to level 1	—	—	—	(183,586)	—	—
Decrease	—	—	(2,344)	—	—	(14,913)
Increase	2,953	—	643,917	25,000	716	111,254
Gain / loss recognized in profit or loss	(14,709)	(1,867)	—	(15,345)	—	—
Gain / loss recognized in equity	—	—	(187,729)	—	—	(68,460)
Ending balance as of December 31,	45,643	11,053	1,497,306	57,399	12,920	1,043,462

Derivative financial instruments

Derivative financial risks

The Company is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Company issues bonds and enters mainly into long-term credit agreements with banks. Due to these financing activities, the Company is exposed to changes in the interest rate as well as to price risks of balance sheet items with a fixed interest rate.

In order to manage the risk of currency exchange rate and interest rate fluctuations, the Company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions (generally investment grade) as authorized by the Company's General Partner. On a quarterly basis, the Company performs an assessment of its counterparty credit risk. The Company currently considers this risk to be low (as the counterparties are generally investment grade). The Company's policy, which has been consistently followed, is that financial derivatives be used only for the purpose of hedging foreign currency and interest rate exposure.

In certain instances, the Company enters into derivative contracts that do not qualify for hedge accounting but are utilized for economic purposes ("economic hedges"). The Company does not use financial instruments for trading purposes. The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

The Company calculates benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and reasonable market rates. Depending on the individual benchmarks, hedging strategies are agreed on and implemented.

Market Risk

Foreign exchange risk management

For financial reporting purposes, the Company reports in USD. Individual subsidiaries are exposed to transactional risks mainly resulting from intercompany purchases between production sites and other subsidiaries with different functional currencies. This exposes the subsidiaries to fluctuations in the rate of exchange between the invoicing currencies and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures the Company enters into foreign exchange forward contracts.

The notional amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totaled \$68,157, \$108,749 and \$90,384 as of December 31, 2022 and 2021, and January 1, 2021, respectively. As of December 31, 2022, the Company had foreign exchange derivatives with maturities of up to 14 months. Earnings of the Company were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives matched mainly the critical terms of the underlying exposures.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The Company also enters into derivative contracts for forecasted product purchases and sales and for intercompany loans in foreign currencies which do not qualify for hedge accounting but are utilized for economic hedges as defined above.

The following table shows the average hedging rate and the nominal amount of the foreign exchange forward contracts for the currencies with highest hedging volume as of December 31, 2022:

Significant currency pairs

	Nominal amount in \$ THOUS	Average hedging rate
EUR/CAD	8,650	1.41
EUR/USD	58,657	1.03
MXN/USD	3,866	21.13
USD/CAD	850	1.26

Interest rate risk management

The Company's interest rate risks mainly arise from money market and capital market transactions of the group for financing its business activities.

A fundamental reform of major interest rate benchmarks is being undertaken globally. This includes the replacement of certain interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR Reform"). The Company has exposures to relevant IBORs through its financial instruments, which will be affected as part of this market-wide initiative. The Company evaluates the extent to which contracts which reference IBOR cash flows will need to be amended as a result of IBOR Reform and how to manage communication about IBOR Reform with counterparties. The required changes to relevant IT-systems in order to technically apply the new risk-free rates are accomplished.

The Syndicated Credit Facility has a certain level of London Inter-Bank Offered Rate ("LIBOR") exposure due to the possibility of multicurrency drawings in U.S. dollar as well as in euro and will be amended before the expected cessation of the U.S. dollar LIBOR in 2023.

Derivative financial instruments valuation

The following table shows the carrying amounts of the Company's derivatives as of December 31, 2022 and 2021 and January 1, 2021:

Derivative financial instruments valuation

in \$ THOUS		December 31, 2021				January 1, 2021	
		December 31, 2022					
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current							
Foreign exchange contracts		3,309	103	—	2,822	600	1,022
Noncurrent							
Foreign exchange contracts		—	—	9	81	33	31
Derivatives in cash flow hedging relationships		3,309	103	9	2,903	633	1,053
Current							
Foreign exchange contracts		281	—	—	100,654	—	—
Noncurrent							
Foreign exchange contracts		—	—	—	—	—	48,478
Derivatives not designated as hedging instruments		281	—	—	100,654	—	48,478

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency.

The Company's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit risk adjustments are factored into the valuation of derivatives that are assets. The Company monitors and analyses the credit risk from derivative financial instruments on a regular basis. For the valuation of derivative financial instruments, the credit risk is considered in the fair value of every individual instrument. The default probability is based upon the credit default swap spreads of each counterparty appropriate for the duration. The calculation of the credit risk considered in the valuation is performed by multiplying the default probability appropriate for the duration with the expected discounted cash flows of the derivative financial instrument.

The effect of financial instruments on the consolidated statements of income

The effects of financial instruments recorded in the consolidated statements of income consist of expected credit losses of \$8,270 and \$7,937 as of December 31, 2022 and 2021, respectively.

In the fiscal year 2022 and 2021, net losses from foreign currency transactions amount to \$5,062 and \$51,858, respectively.

The following table shows the effect of derivatives in cash flow hedging relationship on the consolidated financial statement:

The effect of derivatives in cash flow hedging relationships on the consolidated financial statements

in \$ THOUS

	Fair value gain (loss) recognized in AOCI on hedging instrument (hedge reserve)	Fair value gain (loss) recognized in AOCI on hedging instrument (cost of hedging)	Location of reclassified amounts from AOCI	Amount reclassified from hedge reserve	Amount reclassified from cost of hedging
For the year ended December 31, 2022					
Foreign exchange contracts	(173)		thereof:		
			Costs of revenue	4,006	
Total	(173)			4,006	
For the year ended December 31, 2021					
Foreign exchange contracts	(2,926)		thereof:		
			Costs of revenue	1,871	
Total	(2,926)			1,871	

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The following table shows the effect of derivatives not designated as hedging instruments on the consolidated financial statements:

The effect of derivatives not designated as hedging instruments on the consolidated financial statements

in \$ THOUS

	Location of (gain) loss recognized in income on derivatives	Amount of (gain) loss recognized in income on derivatives	
		for the year ended, December 31	
		2022	2021
Foreign exchange contracts	Interest income/expense	5,062	51,858
Derivatives not designated as hedging instruments		5,062	51,858

Credit risk

The Company is exposed to potential losses in the event of non-performance by counterparties. With respect to derivative financial instruments, it is not expected that any counterparty will fail to meet its obligations as the counterparties are highly rated financial institutions (generally investment grade). The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value at the balance sheet date. The maximum credit exposure of all derivatives amounted to \$3,590 and \$528 as of December 31, 2022 and 2021. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all financial assets. The credit ratings related to these instruments are BBB- or better as graded by Moody's, Standard & Poor's. In order to control this credit risk, the Company's management carries out an aging analysis of trade accounts and other receivables from unrelated parties. For details on the aging analysis and on expected credit losses, please see note 8.

Liquidity risk

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Company manages the liquidity of the group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Company's management believes that existing credit facilities, net cash provided by operating activities and additional short-term debt are sufficient to meet the Company's foreseeable demand for liquidity (see note 14).

The following table shows the future undiscounted contractual cash flows (including interest) resulting from recognized financial liabilities and derivative financial instruments recorded in the consolidated statements of financial position:

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Payments agreed by contracts

in \$ THOUS

	Payments due by period of			
	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years
2022				
Non-Derivatives				
Accounts payable to unrelated parties	570,779	—	—	—
Short-term debt with related parties	721,501	—	—	—
Current portion of long-term debt with unrelated parties	156,595	—	—	—
Other long-term with related parties debt	168,626	1,072,629	1,548,921	2,903,411
Other long-term with unrelated parties debt	—	186,082	20,346	—
Lease liabilities ⁽¹⁾	543,334	1,061,766	876,329	1,352,117
Variable payments outstanding for acquisitions	—	6,779	—	4,274
Put option liabilities	651,265	346,604	590,445	149,660
Derivatives				
Derivative financial instruments - in cash flow hedging relationships				
(Inflow)	(70,514)	—	—	—
Outflow	67,880	—	—	—
Derivative financial instruments - not designated as hedging instrument				
(Inflow)	(4,178)	—	—	—
Outflow	3,866	—	—	—
Total	2,809,154	2,673,860	3,036,041	4,409,462

(1) Includes amounts from related parties.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Payments agreed by contracts

in \$ THOUS

	Payments due by period of			
	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years
2021				
Non-Derivatives				
Accounts payable to unrelated parties	491,687	—	—	—
Accounts payable to related parties	3,053	—	—	—
Short-term debt with related parties	625,372	—	—	—
Current portion of long-term debt with unrelated parties	35,662	—	—	—
Other long-term with related parties debt	145,920	1,076,229	884,153	3,635,825
Other long-term with unrelated parties debt	—	101,574	39,167	—
Lease liabilities ⁽¹⁾	737,250	1,278,039	990,873	1,126,777
Variable payments outstanding for acquisitions	—	—	—	12,920
Put option liabilities	698,698	185,520	171,546	76,726
Derivatives				
Derivative financial instruments – in cash flow hedging relationships				
(Inflow)	(103,711)	(3,454)	—	—
Outflow	105,925	3,571	—	—
Derivative financial instruments – not designated as hedging instrument				
(Inflow)	(19,319)	—	—	—
Outflow	18,598	—	—	—
Total	2,739,135	2,641,479	2,085,739	4,852,248

(1) Includes amounts from related parties.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

Payments agreed by contracts

in \$ THOUS

	Payments due by period of			
	Less than 1 year	1 – 3 years	3 – 5 years	Over 5 years
2020				
Non-Derivatives				
Accounts payable to unrelated parties	495,866	—	—	—
Accounts payable to related parties	72,362	—	—	—
Short-term debt with related parties	785,700	—	—	—
Current portion of long-term debt with unrelated parties	148,607	—	—	—
Other long-term with related parties debt	(1,102,167)	805,265	835,889	3,066,518
Other long-term with unrelated parties debt	—	1,089,921	39,024	—
Lease liabilities ⁽¹⁾	703,605	1,311,096	969,836	1,188,039
Variable payments outstanding for acquisitions	—	12,204	—	—
Put option liabilities	728,688	125,339	114,559	88,114
Derivatives				
Derivative financial instruments - in cash flow hedging relationships				
(Inflow)	(90,957)	—	—	—
Outflow	91,155	—	—	—
Derivative financial instruments - not designated as hedging instrument				
(Inflow)	(16,175)	—	—	—
Outflow	15,941	—	—	—
Total	1,832,625	3,343,825	1,959,308	4,342,671

(1) Includes amounts from related parties.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

24. Other comprehensive income (loss)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2022, and 2021 are as follows:

Other comprehensive income (loss)

in \$ THOUS

	2022			2021		
	Pre-tax	Tax effect	Net	Pre-tax	Tax effect	Net
Components that will not be reclassified to profit or loss:						
FVOCI equity investments	—	—	—	44,008	(11,494)	32,514
Actuarial gain (loss) on defined benefit pension plans	26,698	(6,008)	20,690	6,203	(2,037)	4,166
Components that may be reclassified subsequently to profit or loss:						
Foreign currency translation adjustment	(5,640)	—	(5,640)	(3,502)	—	(3,502)
FVOCI debt securities	(32,093)	8,477	(23,616)	(7,405)	1,962	(5,443)
Gain (loss) related to cash flow hedges	2,791	—	2,791	(857)	106	(751)
Other comprehensive income (loss)	(8,244)	2,469	(5,775)	38,447	(11,463)	26,984

25. Supplementary cash flow information

The following additional information is provided with respect to net cash provided by (used in) investing activities for the years ended December 31, 2022, and 2021:

Details for net cash provided by (used in) investing activities

in \$ THOUS

	2022	2021
Details for acquisitions		
Assets acquired	(620,439)	(559,110)
Liabilities assumed	620,695	138,447
Noncontrolling interests ⁽¹⁾	(412,433)	52,914
Non-cash consideration	392,507	—
Cash paid	(19,670)	(367,749)
Less cash acquired	57,383	15,267
Net cash acquired/(paid) for acquisitions	37,713	(352,482)
Cash paid for investments	(87,410)	(144,472)
Cash paid for intangible assets	(5,416)	(9,787)
Total cash acquired/(paid) for acquisitions and investments, net of cash acquired, and purchases of intangible assets	(92,826)	(154,259)
Details for divestitures		
Cash received from sale of subsidiaries or other businesses, less cash disposed	39,138	113,161
Cash received from repayment of loans	—	—
Proceeds from divestitures	39,138	113,161

(1) Includes "put option liabilities" in the amount of \$412,433 and \$0 for the years ended December 31, 2022 and 2021, respectively, which were previously disclosed separately as these amounts relate to noncontrolling interests subject to put provisions.

FRESENIUS MEDICAL CARE HOLDINGS, INC., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in THOUS, except share and per share data)

The following table shows a reconciliation of debt to net cash provided by (used in) financing activities for 2022 and 2021:

Reconciliation of debt to net cash provided by (used in) financing activities

in \$ THOUS

	January 1, 2022	Cash Flow	Non-cash changes				December 31, 2022
			Acquisitions (net of divestitures)	Foreign currency translation	Amortization of debt issuance costs	Other	
Short-term debt from unrelated parties	22,273	(679)	—	—	—	—	21,594
Short-term from related parties	752,829	(849,787)	—	—	—	997,039	900,081
Long-term debt	5,772,861	(238,046)	—	—	2,048	251,338	5,788,201
Accounts receivable facility	—	100,000	—	—	—	—	100,000
Lease liabilities from unrelated parties	4,124,091	(751,251)	(663)	—	—	461,609	3,833,786

Reconciliation of debt to net cash provided by (used in) financing activities

in \$ THOUS

	January 1, 2021	Cash Flow	Non-cash changes				December 31, 2021
			Acquisitions (net of divestitures)	Foreign currency translation	Amortization of debt issuance costs	Other	
Short-term debt from unrelated parties	19,653	2,620	—	—	—	—	22,273
Short-term from related parties	766,047	(766,082)	—	—	—	752,864	752,829
Long-term debt	5,985,772	597,644	—	—	(2,604)	(807,951)	5,772,861
Accounts receivable facility	—	—	—	—	—	—	—
Lease liabilities from unrelated parties	4,164,919	(764,748)	45,480	—	—	678,440	4,124,091

Interest payments are included in operating activities in the consolidated statements of cash flows in the amount of \$261,079 and \$271,932 as of December 31, 2022 and 2021. Accrued interest is presented in the consolidated statements of financial position under current provisions and other current liabilities. For further information see note 13.

Cash paid for income taxes, net of tax refund is \$197,134 and \$240,292 as of December 31, 2022 and 2021, respectively.

26. Subsequent events

No significant activities have taken place subsequent to the balance sheet date of December 31, 2022 through the issuance date of June 16, 2023 that have a material impact on the key figures and earnings presented. Currently, there are no significant changes in the Company's structure, management, legal form or personnel.