A heightened focus on ESG topics may result in more extensive regulatory requirements aimed at mitigating the effects of climate change and other current and future ESG concerns. Should further regulation (such as the SEC's proposed disclosure requirements regarding climate-related risks, see Item 16.G, "Corporate Governance"), or stakeholder expectations be more stringent in the future, we may experience increased compliance burdens and costs to meet regulatory obligations and we cannot currently estimate what impact existing and future regulations will have on our business, financial condition and results of operations.

Risks relating to taxation and accounting

There are significant risks associated with estimating the amount of health care service revenues that we recognize that could impact the timing of our recognition of revenues or have a significant impact on our operating results and financial condition.

There are significant risks associated with estimating the amount of revenues from health care services that we recognize in a reporting period.

- The billing and collection process is complicated due to a number of factors including insurance coverage changes, geographic coverage differences, differing interpretations of plan benefits and managed care contracts, and uncertainty about reimbursement from payors with whom we are not contracted.

- Laws and regulations governing Medicare, Medicaid and other federal programs are extremely complex, changing and subject to interpretation.

- Determining applicable primary and secondary insurance coverage for an extensive number of patients at any point in time, together with the changes in patient coverage that occur each month or changes in plan benefits, requires complex, resource-intensive processes. Errors in determining the correct coordination of benefits may result in refunds to payors.

- The complexity of estimating revenues from a primary payor also brings complexity to estimating revenues from secondary payors and patients.

- Collections, refunds and payor retractions may continue to occur for up to three years or longer after services are provided.

If our estimates of revenues are materially inaccurate, it could impact the timing and amount of our recognition of revenues and have a significant impact on our operating results and financial condition. For further information regarding our revenue recognition policies, see note 1 k) of the notes to the consolidated financial statements included in this report.

Diverging views of fiscal authorities could require us to make additional tax payments.

We are subject to ongoing tax audits in Germany, the U.S. and other jurisdictions. We could potentially receive notices of unfavorable adjustments and disallowances in connection with certain of these audits. If we are unsuccessful in contesting unfavorable determinations, we could be required to make additional tax payments, which could have a material adverse impact on our business, financial condition and results of operations in the relevant reporting period. See Item 5, "Operating and financial review and prospects – IV. Financial position." For further information on the German tax authorities' objections to our previously filed tax returns, see note 25 of the notes to the consolidated financial statements included in this report.

A dependency on the payment behavior and decision-making of our business partners can affect the collectability of accounts receivable.

Our health care product business and our dialysis services business differ across the regions in which we operate. In many cases, our products and services are paid for, either directly or indirectly, by government institutions. We believe the risk of default from a government payor is generally low to moderate worldwide which could, however, prove to be wrong, particularly in the event of a government shutdown which could result in significant payment delays even if it does not create a default. On a country level, the payor base is characterized by distinct customer or payor groups which can range in volume from a few customers to a considerable amount of customer types which have varying levels of risk associated with default or non-payment of receivables as well as risks for dependencies based upon the competition within low volume customer base environments. In certain cases, a resulting dependency on the payment behavior and decision-making of our business partners can affect the collectability of accounts receivable and can adversely affect our business, results of operations and financial condition. Our measures aiming to mitigate these risks by actively negotiating long-term contracts with major customers, targeted marketing activities, developing new product and pricing models as well as improving the quality of our services and products, could be insufficient or ineffective.

Risks relating to our financial condition and our securities

Our indebtedness may prevent us from fulfilling our debt-service obligations or implementing certain elements of our business strategy.

At December 31, 2023, we had consolidated debt (including lease liabilities as well as debt and lease liabilities included within liabilities directly associated with assets held for sale) of €12,187 M and consolidated total shareholders' equity of €14,827 M. Our debt could jeopardize the successful execution of our business strategy, increase our vulnerability to general adverse economic conditions, limit our ability to obtain necessary financing to fund future working capital needs, capital expenditures, payment of dividends and other general corporate requirements, require us to dedicate a substantial portion of our cash flow from operations, as well as the proceeds of certain financings and asset dispositions, to payments on our indebtedness, thereby reducing the availability of our cash flow and such proceeds to fund other purposes, limit our flexibility in reacting to changes in our business and the industry in which we operate, place us at a competitive disadvantage compared to our competitors that have less debt, limit our ability to pursue possible future acquisitions and sell assets, make it more difficult for us to satisfy our obligations under our debt securities, and limit our ability to borrow additional funds. Additionally, a deterioration of our current rating could lead to a reintroduction of financial covenants, could limit our financial flexibility, increase our financing costs or limit access to funding.

Our leverage makes us vulnerable to a downturn in the operating performance of our business, larger than normal fluctuations or volatility in our cash flow, or a downturn in economic conditions. Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future, which is dependent on various factors. These factors include governmental and private insurer reimbursement rates for medical treatment and general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. If our cash flow is not sufficient to meet our debt service and principal payment requirements, we could be required to refinance our obligations or to dispose of assets in order to meet such requirements. In addition, from time to time we need to refinance our existing debt as and when it matures. In either case, there is no guarantee that we will be able to refinance our existing indebtedness on terms comparable to those governing our existing indebtedness. If our cash flow is not sufficient to meet our debt service and principal payment requirements, or if we are unable to refinance our existing indebtedness on acceptable terms, it could have a material adverse effect on our business, financial condition, or results of operations. For information about our outstanding indebtedness, see note 16 and note 17 of the notes to our consolidated financial statements included in this report.

On July 1, 2021, we entered into our Syndicated Credit Facility. Our Syndicated Credit Facility and certain of our other financing instruments include covenants which, among other things, restrict or could have the effect of restricting our ability to dispose of assets and create liens, and restrict the indebtedness of our subsidiaries. These covenants may otherwise limit our activities as well. The breach of any of the covenants could result in a default and acceleration of the indebtedness under the respective financing agreements, which could, in turn, create additional defaults and acceleration of the indebtedness under the agreements relating to our other long-term indebtedness which would have an adverse effect on our business, financial condition and results of operations.

Despite our existing indebtedness, we may still be able to incur significantly more unsecured debt in the future. The covenant in our 4.75% bonds due 2024 limiting our ability to incur unsecured debt is currently suspended and will remain so as long as two of the three credit ratings assigned to these bonds by S&P Global Ratings Europe Limited (S&P), Moody’s Deutschland GmbH (Moody’s) and Fitch Ratings Ireland Limited (Fitch) are at least BBB- or Baa3 (as the case may be) or higher, or, in each case, the equivalent investment grade rating of the rating categories of any rating agencies substituted for S&P, Moody’s or Fitch. On February 24, 2023, Standard & Poor’s downgraded the Company’s corporate credit rating from BBB to BBB- and revised the outlook from stable to negative. On February 27, 2023, Moody’s confirmed the Company’s corporate credit rating and revised the outlook from stable to negative. On August 25, 2023, Fitch affirmed the Company’s corporate credit rating, removed the rating watch negative and assigned a negative outlook. Nevertheless, should we lose our investment grade rating, we may still be able to incur substantial unsecured debt in compliance with that covenant if we maintain an interest coverage ratio (as defined in the indenture for our 4.75% bonds due 2024) of at least 2.0 to 1.0, as is presently the case, or as otherwise permitted by that covenant, regardless of our credit rating or interest coverage ratio, including under our Syndicated Credit Facility and our accounts receivable securitization program (Accounts Receivable Facility). Upon repayment of our 4.75% bonds due 2024, we will no longer be subject to any covenant that limits our ability to incur unsecured debt, regardless of our credit rating. If additional debt is added to our current debt levels, the related risks that we now face from our indebtedness could intensify.

After the Conversion, Fresenius SE no longer controls our Company through ownership of 100% of the shares in the General Partner of our Company. However, due to its significant share of ownership and certain provisions of our Articles of Association, Fresenius SE retains significant influence over the management of the Company.

Fresenius SE owns 32.2% of our outstanding shares as of February 8, 2024. Under our Articles of Association, Fresenius SE has the right to appoint two of the six shareholder representatives to our Supervisory Board for as long as it holds 30% or more of the Company’s share capital and the right to appoint one of the six shareholder representatives to the Supervisory Board for as long as it holds at least 15% (but less than 30%) of the Company’s share capital, and to dismiss those shareholder representatives. The Chair of our Supervisory Board is one of the Fresenius SE representatives. In the case of a tie in the AG Supervisory Board, the Chair has two votes in a new vote on the same matter if this also results in a tie. Under our Articles of Association, certain matters requiring a resolution at our general meeting of shareholders require a qualified majority of 75% of the share capital represented at the time of the vote, including capital increases and decreases, the creation of authorized and conditional capital, the issuance of convertible bonds, corporate measures such as mergers or spin-offs, the conclusion of intercompany agreements (*Unternehmensverträge*) such as domination and/or profit and loss transfer agreements (*Beherrschungs- und/oder Gewinnabführungsverträge*), amendments to the Articles of Association, dissolution of the Company, mergers, a change in the legal form of the stock corporation and other fundamental changes. By virtue of its ownership of approximately 32.2% of our share capital, Fresenius SE therefore has a de facto veto right over any such resolution or resolutions in and when proposed for adoption by our shareholders. In addition, the Conversion and deconsolidation of the Company from the Fresenius SE Group resulted in the termination of certain voting restrictions on Fresenius SE’s shares in the Company, including a restriction on voting in the election of members of the Company’s Supervisory Board and members of Fresenius SE’s management board are now eligible to seek election to and serve on the Company’s Supervisory Board. The present Fresenius SE designees on our Supervisory Board are the Chief Executive Officer and Chief Financial Officer, respectively, of Fresenius SE. As a result of its share ownership, its de facto veto right over shareholder votes requiring a qualified majority and its representation on our Supervisory Board (including the Chair), Fresenius SE will continue to have the ability to exercise significant influence over the management of our Company in its form as an AG, and the interests and rights of Fresenius SE could deviate from the interests of the Company and its public shareholders.