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CORPORATE PARTICIPANTS

Michael Sen, Fresenius SE & Co. KGaA – CEO
Sara Hennicken, Fresenius SE & Co. KGaA – CFO
Markus Georgi, Fresenius SE & Co. KGaA – SVP IR

CONFERENCE CALL PARTICIPANTS

Barclays, **Hassan Al-Wakeel**
Berenberg, **Victoria Lambert**
Citi, **Veronika Dubajova**
HSBC, **Sezgi Oezener**
Jefferies, **James Vane-Tempest**
Kepler Cheuvreux, **Oliver Reinberg**
UBS, **Graham Doyle**

PRESENTATION

Markus Georgi: Thank you, Andrea. Good morning, good afternoon, depending on your time zone. Thanks, everybody, for joining us today. It's my pleasure to welcome all of you to our third quarter 2023 earnings call. As always, with me on the call today, Michael and Sara.

Before we start, I would like drawing your attention to the cautionary language that is included in our safe harbor statement on Page 2 of today's presentation.

And without any further ado, I hand it over to you, Michael. The floor is yours.

Michael Sen: Thank you, Markus. A warm welcome, everybody. This is Michael. Sara and I are going to review the business and financial highlights for Q3 fiscal '23, emphasizing our achievements and deliverables on #FutureFresenius. And then obviously, we're going to take your questions.

It's been around a year plus since I became CEO, and there are two points I want everybody on the call to understand and hopefully appreciate. First, we're moving rapidly and delivering on the plans we set out. Our new management team is highly determined and committed and, more importantly, acting as a team.

We're laser focused on our key Operating Companies Kabi and Helios.

We've increased transparency in reporting and operations. We have simplified structures and straightened governance.

Second, there is clear momentum behind the changes and improvements we've made. These are -- and I really want to emphasize this -- more than a one-time thing. #FutureFresenius is aimed at permanently improving our operations and performance as well as deepening our portfolio. Ultimately, it's about valuation.

Let's now turn to how this all came out in the third quarter. Strong set of financials overall, group revenue growing nicely with 6% year-over-year in constant currency and earnings as in EBIT growing double digit and delivering margin expansion.

Results for Kabi and Helios, again, really very strong in the third quarter. Good top line growth and even more impressive clear upward movement in operating earnings and margins year-over-year. That's a trend paced by our cost savings efforts that picked up speed over the year so far.

Our work to simplify Fresenius also bore success. You saw already that we made our reporting more transparent, and the company structure is now much more straightforward. The vote in July to deconsolidate FMC was a major step forward. We are encouraged by management's steps to build back FMC's value. You also saw the personnel changes we have been taking there, another crucial step forward.

We have, of course, noted the strong valuation decline following Novo Nordisk's decision to terminate the FLOW study. We are excited about the potential benefits of GLP-1 agonists for patients and healthcare systems. We are looking forward to the release of the study. Then clearly, let us all separate the signals from the noise. We are curious to see further study results and, even more importantly, real-world data on this drug and similar drug classes, how the drugs help different kind of patients, how they potentially slow down the progression of kidney disease and lower cardiovascular mortality, and if and how they can also help patients on dialysis to stay healthier and live longer. Obviously, our colleagues in our generics business are excited as well about any injectable drug reaching at some point in time blockbuster status, and then there is potential for us as a generic drugmaker.

Let me remind everybody that FMC numbers are now shown separately on the P&L, reflecting that it is an investment company for us which also needs to deliver returns. The whole deconsolidation process, including the change of the legal form, is expected to be effective by December. So we are closing in on the final step. In less than 1 year, we decided, we acted and delivered on a major and historical step for the company.

The situation at our investment company Vamed has improved in Q3, as we have said. After challenges emerged this spring, we acted decisively and took consequences. Not finished yet. Q3 is back in the black, and actions are in place to improve even more looking forward, which they clearly also have to.

We have spoken about our commitment to divest noncore assets. This will further sharpen our focus and streamline the group. It was never going to be an overnight process. This week, we announced the hospital exit in Peru, the first divestment transaction. We're making good progress on others, too. So watch this space.

All in all, a great quarter, really delivering on all fronts. And again, it's about strengthening Fresenius to really carry out its purpose: advancing patient care.

Let's take a closer look at our operations for the first 9 months, particularly at Kabi and Helios. And let me say I really love this slide. Quarter by quarter, robust and consistent delivery.

At Kabi, strong top line growth, so the 3+1 strategy with focus on growth vectors is paying off. In the last 3 quarters, we have been delivering consistent execution on structural productivity on the back of strong revenue growth, reflecting our really strong position out there in the marketplace.

Helios, our hospital operating segment, is just a solid and consistent performance engine. I am impressed by the reliability of the results.

Mentioned Vamed already. We took tough action and have the asset pointed in the right direction. Good revenue growth and back in profit. Not finished yet.

Taking this all together, we see delivery to plan and consistently quarter by quarter. Hence, we are going to improve the group EBIT outlook for 2023 to really reflect our confidence.

Going a bit deeper into the Operating Companies, both of which delivered excellent numbers in Q3, at Kabi, both top line and at EBIT level, Q3 was very strong. Kabi's revenues were up by 7% year-over-year in organic terms, which is at the top end of the structural growth band.

Revenues from Kabi's growth businesses, Nutrition, MedTech, and Biopharma, were up by a powerful 12% in Q3. The growth vectors really acted to accelerate revenue. Pharma is a stable top-line grower producing attractive earnings. So focus is really paying off. For EBIT, Kabi is again within its margin band at 14.3%. On an EBITDA basis, Kabi margins were even above 20%. Let me point out to the very fact that all units at Kabi delivered margin expansion.

Helios faced the usual, i.e., seasonal softer summer months in admissions. Nevertheless, revenues were up 5% year-over-year, at the top end of the revenue band. In terms of operating earnings, this was a solid quarter, despite the lower volumes. We see both EBIT up meaningfully by 8% year-over-year and a 30 basis points margin expansion.

Quirónsalud, our Spanish private hospital asset, is a prime part of this asset array with state-of-the-art medical technologies and digital solutions.

So overall, Helios, very impressive in taking out costs in the face of still rising cost pressure. This is the self-help we've been talking about all along.

Let's turn now to something we've been talking about for some time, and that is our debt profile. It has been pretty clear from the outset that we have too much leverage which hits the P&L especially when interest rates rise. This is probably the number one legacy topic based on trying to buy growth with cheap money. Hence, we instantly, at Q3 last year, changed our priorities and the business model. We deepened our focus on returns and self-help.

It has been a priority of management, and I want to highlight the tools we're using to manage this downward. First is our focus on operating efficiency. You've already seen that Kabi and Helios are within the stringent margin bands we set out earlier this year. In addition, you can see our focus on spurring organic growth, and this is paying off with higher revenue growth from existing products and activities.

Clearly, a big part of the story is the structural productivity, and here, we have overdelivered. With about €200 million in cost savings excluding Fresenius Medical Care, we already realized our goal for 2023. And again, this is a permanent effect, and we are well ahead of expectation. This will continue moving forward.

Divestments are advancing. We just announced the hospital exit in Peru. It is the first of a series of divestments that will tighten our focus, unwind complexity, and increase

management focus on our core business. It also helps to save funds necessary in the future. The deal is expected to close in early 2024. More to follow in the coming months and quarters.

So a priority for management all pointed to improving value for shareholders and building our strength in the future.

Let's take a look at some of the success stories of our Operating Companies in the third quarter. Let's start with Kabi, where we expanded our specialized healthcare product offerings with some important wins in Q3.

We launched Tyenne, the first approved tocilizumab biosimilar in the European Union. This is a good example of the benefit we offer patients and healthcare professionals, while it also helps strengthen our growth profile, broadens our biopharma portfolio, and confirms our ability to develop state-of-the-art medicines.

Being the first healthcare company to offer a tocilizumab biosimilar in the EU showcases Kabi's ambition to be a leading player in the biopharma space.

The second example is the strategic partnership of mAbxience and Abbott. This collaboration with Abbott will enhance mAbxience's global presence, especially in emerging countries. This is clear evidence that we have an attractive pipeline of products and development capabilities that we can bring to market also with renowned partners. It is another good step in the important out-licensing biosimilar business. The enhanced global availability of more biosimilar products will undoubtedly benefit patients, health systems, and our partners in the regions.

I'm very pleased that Fresenius Kabi has been named Supplier Partner of the Year by Vizient. It is great to see this recognition for our US team, underlying their strong position in what is the largest market. Earning the trust and confidence of our customers is essential. And this award recognizes exactly this. Particularly Kabi's response to drug shortages which will remain a topic in this very important market. Congratulations and thank you for your dedication and commitment to drive innovation and enhanced quality of care and patient safety in the US. We aim to build on this strong foundation going forward.

At Helios, we are fostering initiatives aimed at enhancing care delivery for our patients. And we also seek to constantly implement innovative initiatives to advance our operations. In Hamburg, Helios is piloting the use of AI to reduce energy consumption and CO2 emissions. This involved the building of a digital twin in our ENDO clinic to simulate the likely needs and specifications of the building in advance. This opens a new chapter in the optimization of our hospitals' buildings and operating efficiency. Not only will this help on the environmental front, but experts estimate energy savings potential of around 20%.

Another proof point for the quality of our Spanish operations is the recognition of five Quirónsalud hospitals by Newsweek in its "World's Best Specialized Hospitals 2024" ranking, which was based on a worldwide online survey of tens of thousands of medical professionals.

In addition, the magazine has also published the Best Smart Hospitals ranking, including the Hospital Universitario Fundación Jiménez Díaz among the 300 smartest hospitals in the world. Great achievement, very proud of the whole team, all in all, another strong quarter of momentum on advancing patient care, a clear commitment to the Fresenius purpose.

Sara Hennicken: Thank you very much, Michael. A warm welcome also from my side. Michael has touched on our 3Q financial highlights already and given you some updates on product and service advances at both Kabi and Helios.

It is an exciting time to be at Fresenius, and our employees deserve thanks for maintaining the momentum on our journey toward #FutureFresenius.

The program is paying off. We have delivered clear progress on the financial metrics we outlined back in February. As you remember, the financial framework included managing revenue and EBIT toward strict bands, increasing capital return, managing leverage downward, and increasing cash conversion. As we said, this would take time, no quick solutions, and we have work to do in particular on debt levels and cash generation.

Looking at the results, you can see that operating performance accelerated consistently year-on-year. All numbers are excluding FMC according to IRFS 5.

Group revenue grew by 6% to €5.5 billion, driven by a positive performance of our Operating Companies and Vamed. EBIT at €519 million grew even stronger at 10%, driven by our Operating Companies. The challenges at Vamed are being addressed, and the operational turnaround is showing first encouraging signs with a positive EBIT contribution of €10 million in Q3.

Higher refinancing rates led to interest expenses up by more than 60% year-over-year. We expect to be around the middle of our €400 million to €440 million range for the year.

The tax rate before special items was 24.1% in Q3 due to some one-time items and phasing effects. For the first 9 months, the tax rate stood at 25.2%, well within our expectation of 25% to 26% for the full year.

Operating cash flow was healthy at €648 million, mainly due to the strong performance at Kabi.

On debt, we reduced our leverage ratio by around 15 basis points from Q2 to Q3. At 4x net debt/EBITDA is, however, still too high. We have made progress, and more will come. At the end of the year, we continue to target leverage below 4x. Not included is potential further deleveraging from divestments.

Taking a closer look at the segments in Q3, let's start with Kabi, where consistent revenue growth and success in driving down costs led to a strong performance.

Kabi's revenues grew 7% organically to €2 billion. That is at the top end of the structural growth band. mAbxience is included in the organic growth for the first time and made a positive contribution.

MedTech, Nutrition, and Biopharma, the three growth vectors, grew revenue by a combined 12% organically, an excellent top-line result. MedTech was up 8% organically, with broad-based improvements across all regions and product groups. Nutrition recorded organic growth of 9%, driven by positive developments in the US and Latin America. China was softer due to indirect effects of the countrywide government anticorruption campaign. Biopharma produced very strong organic growth of over 70%, driven by product sales and new product launches in Europe and the US as well as licensing agreements.

Pharma performed solidly with a growth rate of 1%, a robust development across many regions, with a tough prior year-on-year comparison in particular in the US.

The EBIT margin for Kabi at about 14% was again very strong, with growth accelerating sequentially. Pharma contributed with strong constant currency growth of 9%, resulting in a margin of 21.3%. The growth vectors showed a nice development with 25% growth and a margin of 9.8%.

Let me reiterate what Michael said. Year-over-year, we saw margin expansion across all business units, overall an excellent achievement driven by operational leverage from good revenue growth and ongoing progress on the cost and efficiency initiatives.

Turning to Helios, remember that the summer has seasonally lower hospital admissions, in particular in Spain. Nevertheless, Helios performed very well with strong 5% organic revenue growth year-over-year. That's been a consistent performance all year, at or above the upper end of its structural growth band.

In Spain, organic revenue growth of 5% was driven by robust activity levels despite the holiday season. In Germany, growing patient volumes and favorable mix supported organic revenue growth at 4% for the quarter. Fertility continued its positive growth momentum, with 13% organic growth in Q3, supported by mix effects and price increases.

At €239 million, Helios' EBIT margin stood at 8.1%. This was, as expected for Q3, below the structural margin band of 9% to 11%. Year-on-year, however, the margin improved by 30 basis points, demonstrating the relative strength of this quarter. We expect to be back in the structural margin band in Q4 and, of course, for the full year. Overall EBIT grew by a very strong 8%, supported by good activity levels, ongoing cost management, as well as government relief funds for energy-related cost increases in Germany.

Let's now turn to Vamed. As we said, we made fixing the challenges there a priority for 2023. We conducted a strategy review of the business model and implemented management changes. Still, there is more to do, but we see clear progress and first signs of stabilization.

Revenues increased by 13%, led by all three activities, High-End Services, Health Facility Operations, and Health Tech Engineers.

EBIT at €10 million is back to positive, driven by High-End Services and Health Facility Operations. The project business will take a bit longer to restructure.

And of course, the transformation resulted in some meaningful special items, of which a substantial proportion was recorded in Q2. In Q3, we booked €109 million special items. Around one-third of this was restructuring costs aimed at profit improvement. The remainder related to discontinued business activities and the ongoing review of the order backlog. As outlined in Q2, more special items are to be expected as we continue to drive the transformation. Except for the restructuring costs, the special items are predominantly non-cash. For guidance-relevant purposes, they are excluded.

Looking ahead, Vamed's management expects a solid operational Q4, with High-End Services and Health Facility Operations underpinning the performance. Based on the current status of the transformation program, Vamed reiterates its target to be within the structural margin band of 4% to 6% by 2025 at the latest.

Now let's take a closer look at the IFRS 5 measurement effect for FMC in Q3. I will be brief but happy to take questions.

After the positive vote at FMC's EGM, IFRS 5 required an initial valuation of FMC at fair value. At the time of the vote in July, FMC's market capitalization exceeded the consolidated shareholders' equity, hence no impairment charge. However, IFRS 5 requires a continuous valuation at each balance sheet date.

As of September 30th, FMC's market cap was €12 billion and thus below our carried valuation of around €14 billion. As a consequence, we were required to recognize a one-time non-cash special charge of €2 billion, of which around €600 million is attributable to shareholders of Fresenius SE.

With the deconsolidation effective in December, we will move from IFRS 5 to at-equity accounting. We expect further deconsolidation effects depending on FMC's market capitalization at the time and some technical accounting adjustments but, again, all recognized as special item without any cash effect.

On top of the good news on revenues and margins, another standout is our cost and efficiency program. Here, we have delivered more savings than planned and at a faster rate. Again, our focus is on Fresenius excluding Fresenius Medical Care. We recorded €200 million of cost savings through the first 9 months of 2023, which is the target we initially established for the full year. Kabi delivered the lion's share of these savings. Procurement measures and tighter SG&A control had the biggest impact.

On a similar note, our one-time costs are tightly managed and well below our planned run-rate. The cost and efficiency programs are designed to permanently affect our performance. We have put our operations on a more efficient and streamlined basis to underline our commitment to build value in the long term. That means, while we have achieved our full-year plan already, we are, of course, not going to stop or slow down on our overall target. We continue to execute and be focused on the cost savings we have outlined.

Kudos to the management teams and the employees who achieved these productivity improvements.

Taking a closer look at our cash flow development in Q3, operating cash flow increased by 8% year-on-year to €648 million, driven by the strong operating performance at Kabi and some working capital improvements. With several working capital and inventory initiatives, Kabi has a clear focus on cash generation. At Helios, cash performance was impacted by higher working capital in particular at Helios Germany as well as positive phasing effects at Helios Spain in the second half of last year. Vamed's cash flow improved year-over-year, mainly driven through phasing effects positively impacting Q3.

Capex remained slightly below 5%, in line with our full-year expectation. The Q3 performance took the group's last-12-month operating cash flow margin to 9% with a last-12-months capex of 5%. With our capital allocation focus, we are spending capex in a very targeted way. We are also focusing strongly on improving our net working capital.

A strong balance sheet is a key pillar of #FutureFresenius, and this includes reducing debt. We remain fully committed to the investment-grade rating and the 3x to 3.5x leverage corridor. We know we must make this happen. This is a process, quarter to quarter, as we said.

Fitch recognized our progress executing on #FutureFresenius and has improved the outlook for Fresenius' credit rating to stable.

For 2024, we have already completed our major refinancing activities with 3 debt issuances this year. All attracted excellent investor demand and further diversified our investor base and funding options.

However, in the current interest rate environment, naturally, our priority is also to reduce debt and interest expense to regain more strategic flexibility and to increase earnings per share.

Let me now conclude with our outlook for the remainder. All in all, a strong 3Q and first 9 months of the year. We are executing on our #FutureFresenius agenda, and the performance has improved. The focus on Kabi and Helios is the right operational move.

Obviously, we still have work ahead of us, be it reducing our debt level or ensuring Vamed continues to move into the right direction.

Through the year, we have improved our guidance for Kabi as well as Fresenius top line. And now we can confirm that EBIT growth for the full year is expected to be broadly flat.

On the top line, we continue to expect mid-single-digit organic revenue growth for the full year.

Now let me hand it back to Michael.

Michael Sen: Many thanks, Sara. Before we get to questions, I want to quickly highlight the progress we've made at Fresenius in what we really believe is a relative short period of time. And yes, we still have work to do, and I'll also allude to this one.

We've cleared away a lot of the complexity at Fresenius. FMC's deconsolidation gives us a much more clearer and a simpler view of our operating performance, better transparency, and we retain optionality with our stake.

Clearly, the greater operating focus on Kabi and Helios as the core of #FutureFresenius is paying off, operationally and strategically. Costs are down faster than we planned, and revenues are up. Margins are improving fast, and cash is being generated. And this is due to organic work throughout the Fresenius Group.

And our divestment strategy is moving forward. Value is going to be realized in a thoughtful and disciplined manner. We have made good progress, and we remain comfortable with the timelines we laid out, and I look forward to sharing some updates in the coming months.

Obviously, we will have bumps along the way. There is geopolitical uncertainty. Inflation is still here. And healthcare continues to evolve quickly. Internally, we have legacy issues, and we're dealing with them, like Vamed and our debt levels. Some things still need fixing.

You saw how we're dealing with Vamed very quickly to transform the asset. We will deal with the debt levels in the same way. We have lots of ways to tackle it, and you will see steps to improve our strategic flexibility and to reduce our exposure.

I continue to be proud of the Fresenius team worldwide. We want to keep this momentum going, and we aim to deliver on our change agenda. While improving company performance, we're also strengthening our corporate culture with improved governance and risk management.

We had a great first 9 months, which has allowed us to improve the operating earnings guidance for the current fiscal. This is the year which we identified as the year of structural progression. We are pleased with the foundation we have laid to make Fresenius even better and more valuable for 2024 and beyond.

I am now 1 year and 1 month in my role as CEO of Fresenius. Seems like yesterday. And I am now even more confident that Fresenius is a great place to work and thrive.

We help save and improve the lives of patients with world-class products and services. What can be more relevant and important?

In February this year, we embarked on our #FutureFresenius journey. We are still very early on, on that journey, but nevertheless, considerable progress has already been made.

What makes it special is our purpose that we work towards every day with all our associates: advancing patient care.

Now let's take questions.

Operator: We are now starting the question-and-answer session.

Graham Doyle: Good afternoon, guys. Thanks a lot for taking my questions, just two from me. Firstly, just on cost, if we think about it ex-cost savings, so kind of stuff in the COGS line, particularly for Kabi as we look into next year, are there any potential tailwinds around things like freight, raw materials, as we're seeing elsewhere for you guys that could help for next year on the margin side?

And then secondly, just would you be able to give us a little bit of an update with regard to Helios and government support, just in terms of what your thinking is there at the moment? And I suppose, is there any sort of potential in the short term to maybe see a changing of capital allocation as a result of that? Thank you.

Michael Sen: Graham, hi, it's Michael. Let me start with the first question. I think it's too early to already make a big assumption. Look, the world is very volatile. A lot of things are happening. And I would say, at this point in time, it also makes limited sense to try to model one particular element because all the others are floating around.

I think the reference point for all of you but all of us, also when Sara and myself are going to start the budget process next week, is our financial framework and the basis, the foundation, we are laying for this current fiscal. So wherever we land in this current fiscal -- and we improved the outlook today -- will be the jump-off point. And then as a reference, you have the margins bands for the Operating Companies.

And yes, currently, we still see a pause on the interest rate lines and inflation to some extent that has come to a halt in terms of further incremental inflation growth. That doesn't mean inflation isn't there. That doesn't mean it goes all the way back through the whole value chain. And the average inflation of -- I don't know -- 4%, 5% means something's at 8%, the other thing is at 3%.

So I think it makes limited sense at this point in time. Reference point, take the margin, and I think we made it clear that at least the ambition should always be some continuous improvement.

Now the update on the government and particularly for Helios, particularly for Helios Germany, let me put all of this into context. Helios Germany, largest hospital chain in Germany, roughly 6 million patients a year where we are saving the lives or improving the lives.

Now this is a regulatory business. And part of being a regulated business is obviously a reimbursement model. So this is clear. This is like this in every region, so kind of like a fee for service. Reimbursement in Germany, it's at least for the bulk of it DRG driven.

The intent, let me at least try to say what we believe is the intent of what the government did, is that, in the future, all hospitals obviously also can expect an inflation compensation with a DRG inflator. And what the government tried to do is to pull forward future compensation and to match it timing wise with the costs which are incurred now because the energy costs have been going up now incrementally high because of the terrible Ukraine war.

And therefore, this is the intention to match future compensation elements, pulling them forward to have a time match because, in essence, also in our business, we have seen real increase in energy.

Now there is obviously the fine print of that law which has ramifications on dividends and bonus payment and everything. So the current status is the law has been rewritten a couple of times. Now it's in effect. We need to, first of all, fully understand as also an institution by the government where you can go to and clarify open topics because everything is not clear by the way it is written. We also will make up our mind whether it's constitutional or unconstitutional. And we will take everything into consideration and decide soon.

The parameter for our decision making will be what is in the best interest of our shareholders. And this is the way we're going to go about.

Graham Doyle: Super. That's very clear. Maybe just a quick follow up on biosimilars, is there any color you can give us on where that strength is? Because it continues to perform excellently as a division.

Michael Sen: The strength is in the launch we saw, Tyenne launch. I think we disclosed it beginning of the week that we launched it in Europe. This is the Actemra biosimilar, also for rheumatoid arthritis and the like. By the way, just before the call, I double checked. We got the first purchase order even in Europe. So there, I think we're making good progress on developing the molecules and bringing them to the market in time.

The situation in the US obviously is a different one with Idacio and Humira. I think there will be a lot of questions maybe following your questions because, there, we see a highly competitive landscape, what we've been also anticipating.

But the strength is in the pipeline. The strength is with partner, with mAbxience. The deal with such a great company like Abbott is really great, is a full array of molecules, primarily in the oncology space, which mAbxience will obviously develop and produce, and Abbott is the commercialization partner in countries other than the US.

Also, mAbxience struck a deal with Amneal. They already had a deal with Amneal on Beva, and now there's another molecule coming.

Graham Doyle: Great. Thanks a lot, guys. Appreciate it.

Veronika Dubajova: Hi, Michael. Hi, Sara. And hi, Markus. And thank you for taking my questions. I have three, please. The first one is I just wanted to follow up on a comment that Sara had made in her prepared remarks. Sara, you said that your priority is to reduce debt and to do it rapidly.

Just would love to understand what other options beyond obviously improving operationally the performance of the business you're considering to do that. And how seriously are you, given the current interest rate environment, considering monetizing other assets within the business to reduce the debt burden and increasingly the growing interest burden? So that's my number one.

Number two -- and apologize both of these questions are quite difficult to answer, but I think they need to be asked. My second question is on FMC and the implication of GLP-1. I think, Michael, you had said you're looking at the FLOW data to assess the impact. Can you give us some insights into what you need to see or what you will be looking out for when that FLOW data comes out? And under what scenarios might you reconsider the value creation pathway for FMC that you have in your mind?

And then my sort of third question is just a follow on to Graham's around the government support and your thoughts on the dividend. Just how important is it in your mind to pay dividend versus drive leverage further down, if you could comment on that? That kind of ties to the first question anyhow. Maybe you can answer it together. I'll stop and let you guys comment on all of those. Thank you.

Sara Hennicken: Happy to start on the debt question and the, I would say, pecking order on how we aim to reduce debt. And I think we do have a very clear pecking order, and we even outlined it back in February.

It is, as you said, focusing on increasing operational performance. It is also on focusing on profitability and cost savings. And I think our cost-saving program is really aimed at making ourselves more profitable and having more falling through.

And then thirdly is capital allocation. And I think we have been very verbal about that that we are on a very stringent capital allocation plan and that we are spending capex according to our strategy and also to a very deliberate set of KPIs.

And so that set of capital allocation and being rigorous there is also helping in reducing the debt. And last but clearly not least is the focus on cash. And with that, I really mean cash conversion and the focus on inventory, on working capital more broadly, and on cash collection. I think that's the clear, I would say, pecking order on how we intend to reduce debt.

You mentioned asset monetization. Clearly, proceeds realized from asset monetizations will be used to reduce debt. At the same time, for me, that's more of a strategic question in terms of, which assets are we not the best owner of? Which assets may consume too much capital in the future? And we don't want to put that capital there. And also, what we outlined in February to say we sharpened the focus, and we reduced complexity. So those would be my pecking order for divestments. And falling out of that, the proceeds will be used for deleveraging, but it's not deleveraging driven.

Michael Sen: Yes, I can only echo this one. It is important to understand, when we embarked on #FutureFresenius, we said, what is the core? And whatever is noncore, we need to find a solution. And if and when it can help also as a happy byproduct on the other thing, that is great because, don't forget, the whole debt reduction has two elements.

We've got the net debt to EBITDA. Obviously, when you have an asset which is great and finds a different home, the EBITDA is also gone, right, but might be reflected in proceeds and the like. And then we know how to use it.

On the other hand, it is also about reducing the interest rate line in our P&L. And therefore, Veronika, you were quite right by saying the first question is tied to the third question. And we have not made a decision yet, but I shared with you as to how we are approaching this one because there's a lot of judgment and diligence to be made. This is the law, and we have to deal with it, also the stance on being constitutional or unconstitutional.

But there's a clear parameter for us, which is what is in the best interest of the shareholder. Whatever drives shareholder value, sustainable shareholder value, and we're targeting EPS growth, this may guide us. And I've read analyst reports and even newspaper articles who gave us unasked advice, but sometimes, at least parameters look the same. So that answers maybe your third question, how we're going to deal with this with the dividend.

And again, it is something which is a pull forward by the government in order to match the costs incurred. And we didn't have an opt-out clause, by the way, from the very beginning. And therefore, yes, we also run hospitals. So we also received it. And now we're going to decide how we go about it.

On the GLP-1, I did not want to be cynical, but at the end of the day, what I'm trying to say is there are so many questions still out there so that we then, after those things are there, can really differentiate between the signal and the noise.

It's great, the potential it has for patients and healthcare system. But every patient is different. What does it do to the progression of kidney disease when we see the real-world data and the full data? Does it increase the life expectancy? Does it decrease the mortality of cardiovascular patients? So what does it do as in patient inflow to the patient pool our investment company has going forward? Can dialysis patients live longer and then be dialyzed for a longer period of time? What are the side effects? What is the price of the drug? How many pick it up? The same question you asked us on biopharma, what is the class uptake?

So in essence, I'm saying so many questions are out there. We don't feel that we're in a position to make already a mathematical model as to how it will pan out.

But what I do know is the fundamental trends of all healthcare companies -- and this is also true for any kidney disease company, nephrology and dialysis company -- is dialysis patients are there, and they're going to be there, and the disease is growing. So in essence, a lot of questions, and there, you see my view or our view on the reaction we all have been seeing.

Veronika Dubajova: Excellent. That's very clear. And if I can just quickly sneak in a follow on to that, I think, Michael, you had said in response to Graham's question that sort of 2024, the starting point should be the margin bands that you've given. At this point in time, do you see any reason why either one of the core businesses would not be sitting within the margin band that you've provided for next year?

Michael Sen: We did not have the budget meeting yet. So we don't know yet. Sara and I are as curious as you are. But you know our ambition. Let's face it. Kabi already disclosed to the market what their ambition is. They said, over the course of the next 3 years, they want to go to the top end. Now we may take a ruler, or do we expect them to have a bump and then come up steeper? I don't know. I probably don't guess this will be the case. They shared on every business actually how they want to improve the margin. And this is the starting point also for us.

And for Helios, it's a stable business. So we're going to rather discuss, what are the admission rates? It will be highly dependable on what is the organic growth rate and what is the case mix. And then we're going to go into all the depth. What does it mean in terms of volume and price? And then we're going to come back to you.

But everything we said is valid. Starting point is actual fiscal '23, and ambition level is out there. And we want to improve.

Veronika Dubajova: Great. Thanks so much.

Hassan Al-Wakeel: Hi, thanks for taking my questions, and great to see another strong quarter. I have three, please. So firstly, Michael, when we spoke in June, you said that you're in the process of transacting on divestments and that you had hoped to report back in the next couple of months. I appreciate you've announced Peru, but where are you on the rest? And should we expect much by year-end? And should we read anything around the current divestment in terms of LatAm hospitals being non-core?

Secondly, just on the back of the operational strength year-to-date, could you talk a bit about your confidence about maintaining this momentum into next year and returning to strong EBIT growth for the full year? It's been a long time coming. And I wonder if you could talk to the headwinds and tailwinds as you see them into next year and whether we should expect the trajectory in margins as linear from here to 2025.

And then finally, another strong quarter for Nutrition, could you provide more color on the performance here in share gains or if it's more that the buoyant market is driving the strength based on some of what your enteral peers have reported thus far? And an update on FSMP and China product registrations would be great. Thank you.

Michael Sen: Yes, look, overall, I think we both, Sara and myself, have said you judge or every investor judge -- should judge on what we have been doing up until now. A very short period of time, and we have been delivering, and we want to stay humble, work on our projects, and then come out and report.

So I said 12 to 18 months -- that was end of February -- in transacting the assets. And as I said, irrespective whether the asset is small or big, it needs preparation. And we don't have an army of people doing carve-outs and M&A and/or divestitures. We have people working on several deals. This was the first one. I appreciate that it is small, but it is important. It is important because, let me say -- and therefore, you said LatAm business. I'm grateful for that one because we, in essence, didn't have a LatAm business. We had two dispersed countries which had no connection whatsoever with one another.

So one was in Peru, where we had the majority stake, which we exited, was actually a nice deal on the transaction parameters. And then we have a much more platformish kind of asset pack in Colombia, where we need to deal with it maybe differently because, as I said, this is an asset pack. It's also highly profitable, and then we'll take it from there.

But yes, we are working day and night, I'm almost trying to say, on other transactions. And we said expect news soon, whatever that means, weeks, months. As I said, the starting point was 12 to 18 months. Our ambition is to deliver on what we've been saying. So you can expect more to come.

Then like Graham also tried it, it feels a little bit like last year when we were on our first call for Q3 '22 at that time, and everybody wanted to talk about '24. Same thing here, let us go through the budget. Then we know how everything is panning out. I think we're in a much better position than last year or even in all those before because there are clear reference points.

There is a framework. And the ambition with the framework is clear. Also, Kabi laid out for each and every business -- I'm not sure whether you can take a ruler and do it linear, you need to go business by business, and Kabi, if you remember, the last box on his chart, on Pierluigi's chart, was biopharma with arrows going up and down. So that was the hint that this is a very young business. So this can go either way. But the ambition was clear for all the businesses to improve and go to the upper end of the margin target.

For Nutrition, actually, we have seen strength all over the place, really broad based. China, it's I think your favorite question, FSMP, we are still getting ready and want to launch actually I think two product registrations for next year. We're ready for it. Actually, after our call this afternoon, I'm meeting a Chinese delegation. By the same token, Sara alluded to that one in her remarks. Currently, we see softness in China because of what the government is doing there. And that is especially pertaining to all promotional pharmaceuticals. And mostly the promotional pharmaceuticals obviously also have a higher price and therefore contribution margin.

Nothing to do with our company, we're working closely with everybody there and are fine. But you see softness. And this is the only precursor I would give for '24 that we would probably, at least for the first half, also expect some softness on China, which by the way does not mean don't take only one particular item that we are not ambitious on the margin bands we have. This is the beauty of these margin bands and the reference points that we do not need to talk about one particular line item and then try to extrapolate for the models. The margin bands are the reference points.

Hassan Al-Wakeel: Very helpful. Thank you.

Victoria Lambert: Thanks for taking my question. The first one is just on your Actemra biosimilar. When do you think an FDA approval is going to be achieved, and then when do you think you'll launch the product in the US?

And then just on the outlook for your generic pharma business in Q4, organic growth looked a little bit slower in Q3, and one of your competitors also had a weaker Q3 in the US. So just wondering what's going on there. It doesn't seem like anyone benefited from the Pfizer tornado.

And then lastly, just the outlook for Vamed in Q4, how much better does EBIT look relative to Q3, and is the main driver here the healthcare services business? Thank you.

Michael Sen: Yes, hi, Victoria. Look, on Actemra, also this one is a broken record in every call. We are not disclosing any launch date for the US out of confidentiality items we have there. There's no change that we still feel confident that we're going to be pretty much first to market. And as I said last time, we're working with the FDA. We handed in all papers. Within the process of interacting with the regulatory body, no hiccups. Everything has been filed from our side. Now we're waiting for the response. Usually, the response takes roughly 6 months.

On Europe, we're very confident. As I said, we even have the first purchase order and just launched the whole thing at the beginning of the week. We're the first ones, and I think that makes us also confident. And this will be one item where we need to get more tangible facts, what does it mean for '24 when we have our budget meetings and the like.

On the US, the IV generics, I would say steady, yes, 1%, the US was weaker because we've said from the outset we're not going overboard with this Pfizer thing. It was rather that we were focusing on patients and reaching out to the CEO. Where can we help? As far as we knew, it was the warehouse. They're up and running.

So in August basically, end of July, August, we saw a big pull. Also remember Q2 was actually strong in growth. So probably, this was restocking. In September, we saw destocking. And this explains the growth rate in the US. So I expect another robust growth rate for Q4 also for the US.

On Vamed, you want to --

Sara Hennicken: Sure, happy to take Vamed. Look, if you look at Q3 or if you look at what we said last quarter, we said that we expect a turnaround this year. Now obviously, the €10 million of positive EBIT was a really good positive step in Q3 already. We expect Q4 to be solid.

If you look at it, High-End Services and Health Facility Operations, so the services side of the business, there, we do see core. And that core is performing. And that core performed in Q3. And you can extrapolate probably that from a Q3 to Q4 perspective. We see that those assets are pointing in the right direction and need to continue to be

focused and not get distracted by the overall transformation and also the discontinuation of part of the business which we are also currently executing on.

On the project business, you will probably expect that transformation and restructuring takes a bit longer. And this is exactly how we see that it will pan out. So optimistic for another black Q4 where we stand in terms of year-to-date performance. However, clearly, I would say Q4 will not compensate for what we have seen in Q1 and Q2.

Victoria Lambert: Great. Thank you.

Oliver Reinberg: Yes, thanks very much for taking my questions, three, if I may. The first one would be on the guidance. If I would take the top end of your upgraded EBIT guidance, I guess it still implies there's a kind of flat EBIT in Q4 year-on-year. So just was trying to understand, is there any kind of base effect that we have to bear in mind for Q4?

Secondly, just follow up on China, obviously, you talked about a softer first half next year and the impact from the anticorruption campaign. But can you just add a bit more color what really drives this kind of softness moving to next year? And also, when you talk about softness, can you give us any flavor if softness means slower growth or even decline?

And then thirdly, just on Helios, the industry obviously continues to struggle a bit with lack of recovered inpatient volumes, which partly got substituted by outpatient treatments, which obviously have a kind of lower growth contribution.

So just can you provide an update what you see in your kind of German operations? And considering the €85 million help this year, is there any kind of compensation already visible for next year? Thank you.

Michael Sen: Oliver, let me try, and then Sara can help. On the Q4, look, we said there is a range of guidance because there's still things floating around. We want to also stay humble. On Vamed, we're all happy that we have a black number there, but as I said earlier this year on other topics, one data point is not a trend.

Every action we're taking there is pointing into the right direction, and people are working hard, but they still will have to make it happen. And Q4 will be a lot of work. By and large, I would be saying this would be like almost copying what we've seen in the first 3 quarters quarter by quarter in terms of what you need to have as in the growth rate and then in terms of also EBIT margin. So everybody is working towards this one.

On the risk profile, I just mentioned one, and then if we then see more top-line growth, this can obviously cater for incremental margin expansion. But taking everything into consideration, this is what we said today.

On China, the softness, yes, you mentioned it. What can I say? It is demand driven, and it is behavior driven. We have no crystal ball as to when it will stop. All we see and hear because we're close to the market that people are still hesitating, and therefore, the base assumption is that, probably going for into the first half of next year, the volatility or the softness will continue.

Then again, the underlying demand obviously is there. So it is for us more or less a timing kind of thing as to when it will pick up and will be going into normality.

Helios, we see numbers actually going up, and we're not absolutely there where we have seen for pre-COVID levels, but we see numbers going up, and we see also an improved case mix.

Sara, you want to --

Sara Hennicken: Sure, happy to give you a little bit more numbers around that as well. So if you look at it, and echoing what Michael said in year-over-year, we actually see year-to-date a 4% growth in terms of acute care admission.

We see similar in terms of cost raise. And actually, what Michael alluded to is we continue to see slightly higher ratio of complex treatment in our hospitals, outpatient probably more stable, and overall is not where we were on a 2019 trajectory, but it's improving year-over-year what we are seeing today.

And obviously, and I think this is what we have said from the beginning of the year, we are also very focused on the cost side of things to manage that overall performance. And we are seeing good progress there.

And I think you also had a second leg to your question, which unfortunately I think we didn't hear well enough. So if you could repeat that because that slipped.

Oliver Reinberg: Yes, of course, basically, the P&L at Helios this year was supported by the €85 million of government help. So is there just any kind of color? Is there any kind of additional help on the cards for next year, or is that basically kind of an item you have to compensate for?

Sara Hennicken: So if you look at it, it comes out of the regulation and the laws on energy price breaks. And it's the hospital financing law. And that ranges into next year, and we're expecting payments to receive next year. And so we received some this year. We expect to receive some continuing in Q4, but we also expect to receive some next year.

Michael Sen: Yes, but maybe let me add that the law has a due date, has an end date. So I think this is maybe, Oliver, what you are referring to. Sara is absolutely right. The timing of the payments will go into next year. There's also a difference between the cash effect and the P&L effect. We can walk you through that one.

And obviously, since the law has a termination date, I think April or something like that, until then, folks under the reign of this law, i.e., every hospital, is going to receive the payments. And then we expect to go back to the normal hospital reimbursement regulated regime of financing the costs of hospital. That's why I deliberately mentioned this was a pull-forward intention of future compensation elements to match with the costs which incurred right now.

Oliver Reinberg: Okay. Perfect. Thanks very much indeed.

James Vane-Tempest: Hi, good afternoon. Thanks for taking my questions, three if I can, please. When I look at the guidance upgrade, it does seem to be driven by improvements in the corporate line, so only 3Q costs were lower than expected. I'm just kind of wondering, is this driven by #FutureFresenius? And what should we expect for the full year for the corporate line items, please?

Secondly, on Vamed, you mentioned the projects business is taking longer to recover. I was just wondering how easy it is to potentially split Vamed. So could one option be to monetize the services business, or are they sort of run together? The projects business is taking longer to recover.

And then my last question is -- a number of healthcare services companies have benefited from, I guess, higher passing through higher -- well, higher pass-through costs which impact the top line. So I'm not surprised to see the top end of the revenue band for Helios. But that potential comes with margin headwinds. So I'm just kind of curious,

in addition to inflation, is that something which you're seeing? And if so, how can that be managed? Thank you.

Sara Hennicken: Maybe let me take the guidance question and the corporate line. I think on the -- I would focus really on our Operating Companies if I look for the guidance and also the improvement we made. It's driven by our operating performance in those two companies. The corporate line, I would expect the run rate to continue. There is not much focus I would revert to on -- if I were in your shoes.

On the Vamed topic, it is three distinct assets. There is little synergies between the three of them. And they operate in different regions. They operate around the healthcare system. Of course, that is what they have in common. But you can also see in terms of the transformation work we are currently undergoing and the restructuring, they are all pointing into also different ways in terms of where their future focus is on.

And your last question was on inflationary effects on Helios. Coming back to that, of course, we are seeing and have seen inflationary effects on the cost base of Helios throughout, right, and in particular starting in the second half of last year already.

Now in terms of top line, we have been successful to see price increases. I think, if you look at Spain, it's a very different reimbursement and stakeholder system compared to Germany. And in Spain, yes, it's a good mix of volume growth and also some price adjustments and increases we are seeing when we look at the top line in Spain.

And that is compensating part of what we are seeing in terms of cost inflationary increases. We have renegotiated around 80% of all of our workforce contracts this year. And obviously, we feel and see that inflation. I would say, so far, we have managed it quite well, and we can be quite comfortable with the achievements we have made there. In Germany, similar.

Michael Sen: Yes, let me maybe add to that one in a broader context. We introduced the Fresenius Financial Framework with the margin bands in order to establish a performance culture and also the structural productivity, i.e., that means, if somebody -- something is going against your margin, there are levers to be taken.

Obviously, first of all, you can grow by volume, and then you can grow by price. On the hospital business, you can try to manage to increase your mix, your case mix. And then you have an entire cost base which can be attacked. And there are levers to do this. And I think our businesses are getting into that flow. And this is the discussion we have.

So yes, there is also inflationary pressures going forward. This year, they have been extraordinary. That's why the compensation. And for the Spanish asset, for example, when also negotiating the new contracts, the inflation also plays a crucial role.

So what I'm trying to say, there are enough levers for management to compensate. If there is something extraordinary, then obviously, we have to talk.

James Vane-Tempest: Thank you. Just a quick clarification on my first question, I know you're sort of suggesting to focus on the Operating Companies, but if I can come back to the corporate line, if you're saying the run rate, are you saying Q3 is what we should expect for the Q4 number, or 9 months we gross up for the full year, if you don't want to give us a specific number -- I guess you have done in the past? How should we think about that for the full year?

Sara Hennicken: Let me follow up exactly with that number. I think what you can take for the full year is something similar to last year, maybe a notch higher, depending how it really pans out. But I would take with -- I would go with that.

James Vane-Tempest: That's great. Thank you.

Sezgi Oezener: Hi, thanks for taking my questions. I will have two, please. In terms of the LatAm business, you've obviously announced a Peru hospital sale with no financial implications so far. Looking at the weight that LatAm had in your ex-FMC figures and the growth rate I see at close to 30% for the 9 months, so the question that follows is, how much EBITDA approximately that goes with the sale and, together with the Colombian business, how much of the EBITDA these two businesses would represent?

You also had some write-downs in recent years from the LatAm businesses. So where these businesses some of the businesses that were written down in book value such that we might see financial gains from the transactions going forward?

My next question is related to the interest in divestments. We've been seeing in markets private equity companies having a hard time coming to market or exiting deals. So since you've started this transformation and said 5+ assets would be for sale, has the interest for these assets changed and the outlook for you changed? How are you seeing interest in these assets going currently?

And the last one is related to the regulation in Germany. The dividend aspects of this were -- it was discussed a lot. But I believe there's also a bonus perspective to it. Does this regulation prevent you from paying management incentives? And if it does, what would be your stance towards it? Like can you make it up somehow and keep management motivated?

Michael Sen: Yes, I'll try to start -- not quite sure whether I have everything what happened in the past in terms of write-offs in LatAm. I'm not aware of this one.

First thing is it's interesting. Now it's 5+ assets. I said a handful of assets on February 22nd. The second thing on LatAm, it is important to understand what I mentioned is not LatAm. It is two separate countries. And also, the nature of the makeup is different. As I said, in Colombia, it's more -- it's a whole array of hospitals, and it's more kind of like a platformish kind of business. And therefore, it is different to what we had in Peru, where it was a very attractive hospital, but we had a majority stake.

So we exited that one. That is correct. And what can I say? The deal parameters are actually very nice. We roughly -- we can say we have double-digit proceeds coming into the company. And we created value over the course of our ownership. Again, Colombia is something different.

Then on the dividends, yes, you're correct. With the fine print, whatever you decide, the dividend is also tied to the bonus. This is nothing we have to decide. This is something the Supervisory Board usually decides how to deal with our bonus.

But what I'm trying to say is we are making a decision with the key parameter in mind that we are going to decide what is the best in the interest of the shareholder.

Any write-offs, I'm not aware of the write-offs. No, if not, then if you could call up Markus and the team, and then they can come back to you.

Sezgi Oezener: Happy to. And interest in divestments, any change in appetite for the assets?

Michael Sen: If you have attractive assets, you will have interest. But it always depends on the counterparty. The environment is the environment. For -- probably for financial sponsors, it's a little heavier with higher interest rates if somebody has a strategic interest. That depends.

Every -- this is why it also takes the time it takes. Every deal is different. Every deal needs to be prepared with documents, vendor due diligence, and so on, so forth. And then depending on what the asset is, we need to also prepare everything, talk to counterparties. If synergies are involved, obviously, there is deep-dive discussions. And that's why I said 12 to 18 months. But I also want to put out the notion we are progressing with other deals in the pipeline.

Sezgi Oezener: Thanks very much.

Operator: Ladies and gentlemen, that was the last question. I would like to turn the conference back over to Markus Georgi for any closing remarks.

Markus Georgi: Thanks, Andrea. Many thanks for your attention and joining today's conference call. If there are any further questions or open topics you would like to discuss, please contact the IR team. With that, thank you, and goodbye.

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