FRESENIUS

Transcript
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CORPORATE PARTICIPANTS

Stephan Sturm, Fresenius SE & Co. KGaA – CEO
Rachel Empey, Fresenius SE & Co. KGaA – CFO
Markus Georgi, Fresenius SE & Co. KGaA – SVP IR

CONFERENCE CALL PARTICIPANTS

Veronika Dubajova, Goldman Sachs
Michael Jüngling, Morgan Stanley
Thomas M. Jones, Berenberg
Gunnar Romer, Deutsche Bank

PRESENTATION

Markus Georgi: Good morning, good afternoon to everyone joining us on the line today. I'm joined on the call today by Stephan Sturm, our CEO, and Rachel Empey, our CFO. We will start the call with some prepared remarks and then proceed to Q&A. For the Q&A session, we'd like to ask you to limit your question to one to two per person to allow us to take questions from as many participants as possible.

As always, before we begin, I would like to remind you that forward-looking statements and the disclaimer are on Page 2 of our presentation. And with that and no much further ado, I would pass the call to Stephan. Stephan, the floor is yours.

Stephan Sturm: Thank you, Markus. Good afternoon and good morning, a warm welcome. As always, we appreciate your interest in Fresenius. Markus has pointed out the safe harbor language to you. So let's move right to page 3. And there, we summarize our Q3 highlights. And I will readily admit that some of them are rather lowlights.

Giving the air time it commanded in our last earnings calls, I'll start with the Akorn case. On October 1st, the Delaware Court of Chancery ruled comprehensively in our favor. And whilst we're obviously very pleased with that, I need to remind you that this judgment is not yet final, is subject to a pending appeal. I will get to the details and next steps of the trial process in a minute.

Moving on to our financial performance in this past quarter, as you have already seen in our prerelease two weeks ago, Q3 was regrettably a mixed bag. And whilst Fresenius Kabi continues to shine with an excellent performance across all regions and all product categories, Helios Germany and Fresenius Medical Care did not reach their and our expectations, neither yours. We're sorry.

Now the last thing I want to do is belittle that miss. But it is also a reality that, for the group as a whole, we have been able to record earnings growth in Q3 of 8% including and more like-for-like 13% excluding biosimilars expenses. I'd call that one of the advantages of a diversified group structure.

Helios Germany, as Rachel and I flagged on numerous occasions, we are facing and anticipating some headwinds weighing on sales and, given the operating leverage in that business, even more on EBIT. So what has changed since the end of Q2? Well, as you know, we have launched and are in pursuit of various initiatives to at least mitigate the effects of expected regulatory changes. Indeed, we're keen to try and capitalize on them. I'm talking about clustering, shortening the length of stay, adjusting the cost base, etc.

And whilst we remain convinced that we're generally headed in the right direction, we now must realize that we underestimated some unfortunate side effects along the way, for example, in the form of missed patients and cases, leading to missed revenues and earnings. So whilst our analysis is not yet complete, we're already going about calibrating our initiatives as well as developing and implementing the tickets.

Why were we taken by surprise? Because above-average volatility in admissions is nothing unusual during the summer months. September is when the quarter comes together. And as a result, it was not until the beginning of October that we had an initial view. Then we needed to update our forecasts. That is when we alerted you. A very unfortunate situation and to be avoided going forward.

Before I come back to you with a few more details on our German hospital business, I want to tell you that the good news is that Helios Spain is continuing to show strong growth momentum. And we see promising growth prospects, both organically and inorganically. I will also get to that in a minute.

One word on Fresenius Medical Care. A weaker-than-expected dialysis services business coupled with some one-time burdens required an adjustment of the company's guidance for the full year '18. Also here, very unfortunate. I know the management team takes this very seriously and is working hard to mitigate the various headwinds they are facing.

Beyond those near-term challenges, I want to commend management, though, for the decisive strategic steps they have initiated. The company has not only successfully sharpened its US Care Coordination portfolio. It has also made significant progress towards closing the NxStage acquisition. Rice and Mike will give you a more detailed update in their call later on.

Kabi's outperformance will not fully offset the misses at Helios and FMC. So we have narrowed both our sales and earnings growth guidance for the group to the low end of the respective ranges.

On to page 4 and an update on Akorn. As you know, the trial took place from July 9 to 13 followed by post-trial briefs until August 20th and the oral closing argument on August 23rd. On October 1st, the Delaware Chancery Court ruled in favor of Fresenius and affirmed our termination of the merger agreement.

Whilst it is fascinating reading, I obviously don't want to go through the whole 247 pages of the court's landmark opinion. But a few points are important to address, in my mind. It is rewarding to see that the court has confirmed the appropriateness of our due diligence effort, just as much as the overall effectiveness of our risk management approach, given that the court agreed with us that Akorn had violated terms and conditions of the agreement and suffered material adverse effects.

It's the first time we had to test our risk management approach in a courtroom. And whilst I'm not keen on doing that again, it's good to see we can rely on it. We were always convinced of the merits of our case. And as I have said on numerous occasions, we have not only the right, we have the obligation to terminate this merger agreement. That is our fiduciary duty to you, our shareholders, because this is about protecting Fresenius's reputation, protecting our credibility as a management team, and protecting patients from known risks. The Delaware Chancery Court has now comprehensively and fairly unequivocally followed our view. And we are obviously pleased.

What are the next steps? On October 18, Akorn appealed to the Delaware Supreme Court. Just last night, Akorn submitted its opening appeal brief, which we are now analyzing. And we will submit an answering brief by November 21st. And Akorn will then submit a reply brief until November 30th. The hearing will take place on December 5th, and we expect a final ruling by the first quarter of next year. There can be no further appeals against the Supreme Court's ruling.

On to slide 5 and some topics of current and future I believe interest. Let's start with an update on Kabi's growth initiatives. I just want to give you a few examples for our continuous efforts to broaden and deepen Kabi's product portfolio, not only in the US, but worldwide. As already mentioned during our Q2 call, we are strengthening our position in North America with compounding centers.

The center that we built with Partners HealthCare system in Canton, Massachusetts, is now complete, and commercial production has begun. We are convinced that our experience in aseptic manufacturing ideally positions us to support hospitals by compounding ready-to-administer doses in a reliable and safe manner. Hence, we believe this is a win-win business model that should be expanded to other North American cities.

The parallel project in Mississauga, Ontario, is now also complete, and the facility is operational. With this new compounding center -- that's our fifth in Canada -- Kabi is responding to increasing demand for large batches of compounded medications for patients in Canadian hospitals.

Secondly, the enteral nutrition business has been Fresenius Kabi's fastest-growing product segment for quite a while now. And we very much expect demand for our products to continue to increase. Hence, we are significantly investing in this product segment to support Fresenius Kabi's long-term growth and to meet our customers' current and future needs.

A great example is the very recently decided €100 million investment at our plant in Emmer-Compascuum in the Netherlands. There, we will install new state-of-the-art manufacturing lines for enteral nutrition. The current manufacturing of disposables for apheresis and autotransfusion systems, which is much more labor intensive, that will be transferred and bundled in our plant in the Dominican Republic. And there, we can enhance our competitiveness in this category.

Onto an update of our biosimilars business, where you will have seen that Fresenius Kabi has signed a worldwide settlement and license agreement with Abbvie for adalimumab. That agreement settles all pending patent litigations between the two companies. It allows commercialization of adalimumab in the United States from September 30th, 2023, onwards, obviously subject to marketing authorization by the health authorities.

In Europe, we continue to expect the launch of our biosimilar candidate for Humira in the first half of 2019. We have submitted our respective application for marketing authorization to the EMA at the end of last year. And that dossier is currently under review.

Another major progress of our biosimilars portfolio was that pegfilgrastim, our biosimilar candidate for Neulasta, that has met its primary endpoints in the two pivotal clinical studies. These studies are designed to enable the application for marketing authorization in both the EU and the US.

So what do both developments mean for our originally announced business plan? In a nutshell, no change to our original expectations. We still target first sales in 2019, breakeven in 2022, and a high triple-digit million sales from 2023 onwards. The licensing agreement with Abbvie secures our strategy even further, specifically in the US, which as you know is the most important market for biosimilars.

On to an update on the injectables market in North America, where we had yet again a strong quarter, yet another quarter where we haven't experienced anything out of the ordinary on the pricing front. Low single-digit price erosion for our base portfolio of injectable generics, very much consistent with our experience over the years.

We continue to watch that pricing development very closely, not least against the backdrop of the increased number of competitive ANDA approvals we're seeing. But as we've said on various occasions, many of those approvals did not turn into market launchers. And many other approvals relate to molecules where competition was already intense before. We will, of course, keep on tracking marketing developments very closely. We remain convinced that our outstanding record of customer service as well as our broad and growing portfolio will allow us to maintain strong market shares at attractive price levels.

That brings me to product launches. We have seen 12 products launched in the first nine months of this year and expect to launch a record number of more than 15 by year end. Those new launches have contributed meaningfully to year-to-date revenue growth. The products launched in 2018 to date include six new molecules in vials and one new approval that enabled us to self-manufacture a drug that was at risk of short supply and that had previously been contract manufactured.

As part of our strategy to introduce drugs in new and more convenient delivery systems, we have also launched sodium chloride intravenous solution and premixed heparin in freeflex containers as well as hydromorphone and morphine -- morphine I should say -- in vials in addition to adenosine in a new strength for an entirely new indication. So our US generic pipeline continues to be encouraging and reflects the emphasis we have placed on R&D over the past several years.

Lastly, a quick comment on drug shortages. Whilst they have clearly supported our growth year-to-date, it remains very difficult to project the trend from here. But after a meaningful increase over the last quarters, an easing of shortages now appears more likely. That is at least what we model. At the same time, we are ready to be proven too conservative. Our various investments are meant to put us in pole position to fill any arising shortage situation.

On to slide 6 with an update on Helios Germany, where we had a truly disappointing quarter, no doubt about it. As you know, in the interest of medical quality and patient outcomes, but also in light of expected regulatory changes, we have launched and are in pursuit of various initiatives. And as I said earlier, we have regrettably underestimated some side effects along the way.

Clustering is one of these initiatives. In order to meet the regulatory requirements regarding minimum quantities ahead of time and in order to proactively increase medical quality, we are fostering the regional collaboration of our clinics and established specialized medical centers, such as our cardio clinic in Leipzig or our orthopedic flagship, the ENDO-Klinik in Hamburg.

We knew that it would take a while for patients to fully appreciate the improved quality outcomes driven by that clustering and that, given a generally growing geographical distance to the specialized hospital, we run the risk of losing some cases along the way. That is what we told you about.

What we underestimated, though, to some extent was the frustration triggered for some of our senior doctors, whom we had stripped of some minor parts of their medical scope. As a result, we currently see a higher-than-usual level of vacancies with the inevitable impact on case numbers and sales.

This is not a broad-based phenomenon. About a dozen hospitals stand for approximately half of the shortfall in admissions. And I can assure you that initiatives to fill these vacancies, both internally and externally, have already started and will be reinforced strongly.

I have little to no doubt that we remain a highly attractive employer for well-qualified and ambitious doctors who are keen to shape the health system of the future with us. Number and quality of applications in front of us support that statement.

But it is also clear that any new appointment will trigger, say, two to three quarters of lead time -- that is our experience -- before we have -- we will have recaptured the patients lost. Very unfortunate, but not structural, in my mind, and an issue that we can and will fix.

We firmly believe that superior medical quality has been, is, and will remain our key differentiator vis-à-vis our patients. We would like to think with an even growing importance. In order to reflect this belief, also organizationally, we have asked five key surgeons to join Helios Germany's extended management board. They are meant to further enhance and harmonize our clinical processes and to attract, develop, and retain talent in the regions they are responsible for. At the same time, to preserve swift decision making, we have cut the number of our regions from six to five and have parted ways with two managing directors.

From doctors to nurses. With a very active market for specialist nursing staff, we have seen some localized shortages of staff, particularly in anesthesiology and intensive care. As a result, we have not been able to treat all the patients that wanted to be treated by us. Also, that is unfortunate.

We definitely need to remain the employer of choice in a competitive job market to ensure that we are able to attract and retain a sufficient number of qualified and talented nurses. Going forward, we will reinforce that focus. Various initiatives are already under evaluation. And for the avoidance of doubt, this is not just monetary incentives, let alone a pay rise across the country. This is at least as much about shift models, education, career development, and respect.

So for the record, we acknowledge that our nursing staff is not only key to patient satisfaction and medical quality. They are also doing a difficult job in a from time to time pressurized and hectic working environment. I would like to take this opportunity to express my gratitude and appreciation for what our nursing staff is doing. And it is just that attitude that we will reinvigorate in those hospitals where recently it may have been a bit harder to detect.

A word on nursing legislation. The law is not yet passed, and we still don't know the all-important fine print. From what we know today, the impact on 2019 looks benign. 2020 is even less clear, but I can assure you that we are proactively analyzing the implications of quite a number of possible scenarios, including targeted mitigation initiatives. We very much plan to give you a clearly picture as part of the presentation of our full-year '18 results in February next year.

Length of stay. As you heard at our Capital Markets Day in June, shortening the length of stay in our patients' interest has been a focused topic for our management team. On the back of a mutual exchange of best practices between the Spanish and the German experts, we have seen definite and clear progress in Germany.

However, the reduced length of stay in itself has, at least so far, not led to the hoped cost savings. For various reasons, including those I just mentioned, we have not been able to fill the freed-up bed capacity with incremental admissions, nor have we been able to cut costs meaningfully beyond just the direct variable costs. To make matters worse, in some cases, our initiative has even led to us missing out on reimbursement upside.

So we are convinced of the benefits for our patients and the economic sense of our initiatives, at least in the medium term. Given that it's a win-win, we do expect and would in any case welcome the German reimbursement system to add incentives for reducing the length of stay, for instance, via hybrid DRGs, like we're seeing them in action in Spain. So we will continue to pursue our initiatives as part of our future-oriented strategy, but with a closer eye to the near-term financial effects.

In order to benefit from the expected trend towards an increased number of outpatient treatments, we have established two new business units at Helios Germany. One is addressing ambulatory patients, the other new business models. We aim to capture more patients, whatever the best setting for their needs, with high quality healthcare in both in- and outpatient facilities. And we are therefore analyzing diligently for all of our facilities for which indication, which services can be provided economically as well as to a high medical standard in the respective local setting.

As laid out at our Capital Markets Day, we still face sectorial borders between in- and outpatient care. Against that backdrop, our newly established unit New Business Models is meant to innovate and adapt our business to take advantage of the still very much growing healthcare market.

And to give you an example, in a pilot driven by our maximum care provider Schwerin in East Germany, our hospital staff will be traveling to more rural areas on certain days of the week to assure the continuous treatment of patients in their hometowns. And whilst the idea is perceived very positively by patients, payers, and municipalities, the approval by the Association of Nonhospital Doctors is pending for now. But I have no doubt that we will see more models like this going forward. And we are very well positioned and prepared to drive and capitalize on them.

I'm acutely aware that I'm throwing a lot of information in your direction just now. Take it as a sign that we are forward looking, proactive, and determined to make this work. Despite the headwinds we are currently facing in the German hospital market, we are well prepared for the future. We have initiated a comprehensive set of initiatives to master the challenges ahead.

At the same time, we will continue to assess and analyze the latest insights we have gained and will further calibrate and refine our approach. We are convinced that the German hospital market remains an attractive one for Fresenius and for our shareholders and that we'll see a return on our investment.

However, I think it is clear that our initiatives are investments for fundamental and structural change, requiring changes internally in patient behaviors and ultimately also in payer expectations. Hence, whilst I don't know, I also cannot rule out further but limited margin dilution at Helios Germany in the short term. In the medium to long term, though, I have no doubt about healthy and sustainable EBIT growth.

Over to Helios Spain on slide 7, where we are rigorously driving our organic and inorganic growth. A nice example for a greenfield project is our recently opened hospital in Córdoba. With an investment of approximately €50 million in the new facility, Quirónsalud has now six hospitals in Andalusia. The six-floor facility includes 100 large private patient rooms, a 24-hour emergency department, seven operating rooms, and a cutting-edge technology in medical equipment. The opening of the hospital was very well received by the local population. The hospital will become the flagship facility in the city of Córdoba.

As we already announced last year, Quirónsalud is building the first proton beam therapy center for Spain in Madrid for a total investment of about €40 million. Proton beam therapy works by radiating the cancerous tumor with protons and has major advantages over traditional radiation therapy. There are currently only about 20 proton beam therapy centers in Europe. The construction is progressing according to plan, and the plan is to open the brand new center by the end of next year.

Last but not least, our inorganic growth initiatives are plowing ahead. With the acquisition of Clínica Medellin, the second largest private hospital in the fast-growing city of Medellin, we are entering the attractive private hospital market in Colombia after the very successful experience that we've made in Peru. And there, we already own 200-bed, €90 million sales hospital. This can be considered as an extension or the starting point for a Latin American platform.

The hospital market in this region is highly fragmented, has high potential for growth and operational improvements. So we think Helios Spain can add value and knowhow to the system, just as they did in Peru. We are convinced that Colombia is one of the most interesting countries in Latin America. Medellin is a leading economic powerhouse in Colombia and one of the most innovative cities in Latin America. And therefore, we are very fond of this investment. The total investment for Clínica Medellin is about €50 million. And we expect to generate sales of approximately €50 million in 2018. Following antitrust and regulatory clearance, the transaction is expected to close in the first quarter of 2019.

Thank you for your attention so far. With that, I'd like to hand you over to Rachel.

Rachel Empey: Thank you, Stephan. Good afternoon, good morning, and good evening, depending on your time zone, a warm welcome to everyone. So I'd describe Q3 also as a mixed quarter. Kabi had an outstanding quarter, but only partially offset FMC and Helios Germany, which as you heard from Stephan, were below our expectations.

Just as I did last quarter, I'd like to start by explaining how the results are shown throughout the presentation. Sales growth is adjusted for the adoption of IFRS 15. As far as Fresenius Medical Care's settlement with the United States Department of Veterans Affairs and Justice, the so-called VA agreement, is concerned, year-to-date figures last year included €96 million of sales and €88 million of EBIT as a one-time effect. This contributed 1 percentage point to sales growth, 3 percentage points to EBIT growth, and €16 million, or 2 percentage points to net income growth. These effects were not treated as special items on the group level and obviously weigh on our year-to-date 2018 growth rates. The impact on Q3 2018 growth rates is, however, negligible.

The results include R&D expenses for Fresenius Kabi's biosimilars business, which is consolidated since the 1st of September 2017. Hence, to give greater transparency, we are showing group EBIT and net income growth, both including and excluding those biosimilars expenses.

The figures are before special items, namely transaction-related effects with respect to Akorn and divestitures of Care Coordination activities at Fresenius Medical Care, mainly Sound Physicians. Also, FMC's increased provision for the Foreign Corrupt Practices Act, the so-called FCPA- related charge, is treated as a special item. Conversely, FMC's contributions to the campaigns in the US opposing state ballot initiatives were not treated as special items on the group level.

So let's switch to page number 9 and the key financials. Growth rates on this slide are on a constant currency basis. So we delivered sales growth of 4% in Q3. Despite an outstanding quarter at Fresenius Kabi, we have seen a sequential slowdown, which was mainly due to softer top-line growth at Fresenius Medical Care and Helios Germany. For the first nine months of 2018, we are now at 5% growth, and hence at the low end of our 5% to 8% constant currency sales growth guidance.

EBIT in Q3 was flat year-on-year. Please bear in mind that the prior-year quarter only incorporated one month of biosimilars expenses. So EBIT excluding biosimilars expenses increased by 2%, with a strong financial performance at Kabi and Helios Spain partially offsetting lower figures at Fresenius Medical Care and Helios Germany.

With €139 million, net interest was sequentially significantly lower, mainly due to proceeds from the divestiture of Care Coordination activities, which reduced net debt. Year-to-date in 2018, we have seen a 6% decrease year-on-year despite the fact that this year's net interest result reflects nine months of Quirónsalud financing costs versus eight months in 2017. This decrease is primarily due to currency effects, successful refinancing activities, and of course, those proceeds from the divestiture of Care Coordination activities. Overall, we now expect to reach the low end of our targeted range of €580 million to €600 million.

The group tax rate before special items reached 21.4% in the third quarter this year. That brings the year-to-date tax rate to 22%, lower than our expectations. That's mainly due to higher benefits from the US tax reform and some one-time effects in the third quarter at both Fresenius Medical Care and Fresenius Kabi. We now expect to be at a similar level for the full year as we are year-to-date, namely more towards 22%.

So let's move on to net income, where we've seen 8% growth including and 13% growth excluding biosimilars expenses at constant currency in the third quarter this year. Year-to-date, that brings us to 7% including and 12% excluding biosimilars expenses. So both earnings metrics are nicely in the guidance ranges. I will elaborate on our narrowed earnings guidance range at the end of my prepared remarks.

So on page 10, let's have a look at the momentum at our four business segments in the third quarter this year. For ease of comparison to our individual outlook ranges, sales growth rates on the left are organic and adjusted for the adoption of IFRS 15 and the divestiture of Care Coordination activities at Fresenius Medical Care. EBIT growth on the right is at constant currency and before special items.

So let's start with Kabi. The company showed excellent 8% organic growth. This was fueled by growth across all regions, but in particular North America, and all product lines, with IV drugs standing out. EBIT increased by 5%, including those biosimilars expenses. If we strip them out, it looks even better, with a stellar 14% EBIT growth. More details on that in a second when we come to the Kabi section.

Helios, here, we saw soft 2% organic sales growth and overall a mixed picture, as you heard from Stephan. Spain continues to shine with dynamic and steady growth, whilst Germany continues to face some headwinds. As you know, the hospital business has a large fixed cost base, and a weaker top line has a significant negative effect on the bottom line. Thus, operating leverage effects led to an EBIT decline of 12%, or rather 6% excluding the transfer of the German post-acute care business from Helios to Vamed. I will elaborate on Helios a little more in a second.

Vamed showed outstanding growth rates in Q3. Organic growth was boosted by both excellent momentum in our project and service business as well as increased service business with Helios Germany and Spain. On the EBIT line, the transfer of the German post-acute care business from Helios to Vamed contributed significantly from the 1st of July this year. Excluding this effect, EBIT increased by a very solid 7% in Q3.

So let's move to page 11 for a review of Fresenius Kabi's organic sales growth by region. So in brief, North America was outstanding, and the emerging markets and Europe continue in line with our expectations in Q3.

Starting with North America, we are very pleased with the 12% organic growth in Q3 and the 8% growth year-to-date. This is clearly above our expectation of mid-single-digit growth for the full year and testament to our strong momentum in the North American injectables market that Stephan spoke about earlier.

The stronger-than-expected financial performance was meaningfully helped by the significant number of injectable drug shortages that have persisted through 2018 so far. At the end of Q3, 37 IV drugs in Kabi's product range were designated in shortage, up from 35 at the end of Q2. Since our model and outlook continue to assume a gradual easing of drug shortages, this has been a tailwind for us.

However, given the FDA's focus to ease shortages and to ensure strong generic competition, we assume that the current situation will gradually normalize. And for the avoidance of doubt, in our minds, normalize does not mean move to zero.

As you know, the investments we have made and continue to make in world-class manufacturing are designed to put us in a position to be able to supply when others cannot, and we are delighted that the FDA has recently recognized Fresenius Kabi USA with a Drug Shortage Assistance Award.

As Stephan said, with 12 new product launches so far this year, we are in line with our expectation to end the year with more than 15. Those new launches have contributed nicely to sales growth through the first nine months of this year.

So given 8% growth year-to-date, we increase our organic sales outlook for Fresenius Kabi North America to mid- to high single-digit growth for the full year 2018. But that implies only moderate growth in Q4. This outlook reflects our assumption of an easing of drug shortages in Q4 and increased competition for certain products, in combination with the fourth quarter not being an easier comp.

So moving to Europe, here, we had an organic growth of 1% in Q3. We have seen some phasing. But with 3% growth year-to-date, we feel comfortable to confirm our low to mid-single-digit organic growth outlook for Europe for the full year.

And continuing with emerging markets, and I'm now on slide 12, here, we are pleased to report strong organic growth of 11%. China is growing at 13% organically. And our expectation of low to mid-single-digit price reduction as a full year 2018 impact remains unchanged. Hence, we continue to expect to see double-digit volume growth, which will lead to very significant organic sales growth.

Moving on to Asia-Pacific, excluding China, here, we saw a soft 3% organic growth, but nothing to worry about, just some phasing within our operating business.

Latin America and Africa had outstanding 13% organic growth. This region showed a broad-based positive development across all product groups and all countries. Inflation-driven price increases, especially from Argentina, had only a negligible contribution to top-line growth rates in the third quarter this year.

So taking that all together for the emerging markets as a whole, on the back of very strong financial performance year-to-date, we confirm our outlook of double-digit organic sales growth for the full year.

So let's turn to slide number 13 and Kabi's regional EBIT development. Total EBIT came in at €297 million in Q3, an increase of 5% at constant currency. The year-to-date EBIT total was €854 million, an increase of 1% at constant currency. EBIT growth excluding the biosimilars expenses is really quite impressive with 11% growth year-to-date. That means we are 2% above our previous guidance range of 6% to 9% growth.

Let's take a more detailed look at the regions. So with 13 -- sorry, 16% growth in Q3 and 10% year-to-date, Kabi North America showed an outstanding financial performance. The EBIT margin in Q3 improved year-on-year by 110 basis points. Also here, we had some tailwinds from shortages and new product launches. Sequentially, the margin was slightly down as expected. As I explained in July, Q2 was positively influenced by some phasing in our operating business.

So on the back of 10% growth year-to-date in North America, we confirm and strengthen our outlook for the full year in line with the increased top-line outlook. Hence, we now also expect EBIT to grow in the mid- to high single-digit range for the full year. But of course, that implies we don't expect Q4 to quite reach the heights of Q3.

So moving on to Europe, with 8% growth in Q3 and year-to-date, respectively, this strong growth is mainly driven by an ongoing excellent enteral nutrition business. Also here, a word to Q4. Whilst we expect to see a strong Q4, please note that Q4 2017 was truly outstanding in absolute terms and the highest quarter throughout last year. That figure's going to be hard to match.

Then to the emerging markets, we saw 2% growth in Q3 on the back of a tough prior-year comp. Also, the significant currency transaction effects in some areas, for example, Argentina and Brazil, were not helpful here.

With corporate and R&D costs at €122 million, adjusted for biosimilars expenses, we were slightly down year-on-year. €113 million of biosimilars expenses year-to-date in 2018 means we are on track with our expectation of around €160 million for the full year. In addition to biosimilars, we are also investing in the future and broadening our portfolio by adding more products in existing product categories and by bringing existing products in new geographies. Thus, we continue to expect an increase of R&D year-on-year, excluding those biosimilars expenses.

So another word to our biosimilars business. Since our acquisition from Merck in September 2017, we have risk-adjusted estimates of future milestone payments held as liabilities on our balance sheet. Going forward, changes to such estimates will run through the P&L. However, for us, these are deferred acquisition costs. And I want to remind you that these P&L effects will be treated as special items. Therefore, they will neither impact Kabi's outlook nor the group guidance.

Of course, these effects could go in either direction. An expense for us would actually be a positive sign of the progress we are making with our development and our expectations for our future success. The recent settlement closed with Abbvie for Humira is likely to trigger such an adjustment.

Let's move onto Fresenius Helios on slide number 14. Total sales came in at €2.1 billion. On a comparable basis, i.e. excluding the effect from the transfer of the German inpatient post-acute care business to Vamed, sales increased by 2% in Q3 and by 7% year-to-date. Including this effect, so at a reported level, sales decreased by 4% year-on-year in the quarter.

Organic growth at Helios was 2% in Q3 2018, with Helios Germany showing flat organic growth year-on-year, below the growth rates that we are used to. As you've heard, this was due to a combination of fewer admissions, as well as catalog effects particularly in cardiology.

Specifically, on top of the headwinds at Helios Germany that we have been discussing for many quarters, there were some additional effects that became apparent after Q3, as you heard from Stephan earlier.

The summer period, as you know, has relatively low sales levels and some tricky seasonality, which this year made the extent of these trends in Q3 not apparent until early October, when we had the full analysis of the admissions numbers, particularly including September.

Over to Helios Spain. Here, we've seen excellent sales growth of 6% in Q3. The typical summer break in Spain is clearly visible in our absolute Q3 sales and earnings figures. The year-on-year growth rates are, however, outstanding.

Let me remind you that most of the Spanish patients as well as doctors and nurses are on holiday and visiting their families during the summer months. As the vast majority of medical interventions are elective or planned, it is rather emergency cases that are treated in hospitals during those hot summer months. The strong organic growth in Q3 was a combination of a soft prior-year comp and some organizational measures in 2018 that drove occupancy rates in our hospitals.

Reported sales growth of 20% year-to-date is significantly influenced by the additional month of consolidation in Q1 of this year.

Organic sales growth was healthy with 5% in Q3 2018 and year-to-date, respectively. Thus, Helios Spain is at the midpoint of its historical organic sales growth range of 4% to 6%.

So let's move onto slide 15, where we can see an overview of the EBIT development at Fresenius Helios. Total EBIT came in at €204 million in Q3, a 12% decrease year-over-year. The transfer of the German post-acute care business also had a significant effect on the EBIT line. If we exclude this effect, the decrease was 6% for Fresenius Helios.

With €143 million in Q3, EBIT for Helios Germany decreased by 17% on a comparable basis. That is excluding the transfer of that post-acute care business. With a structurally significant fixed cost base, the operating leverage effect of the top-line performance took its toll on the EBIT level. Additional costs associated with short-term staffing measures, such as temporary external staff, which come at meaningful extra costs, and continued investments in our preparation measures, such as clustering, further burdened our EBIT performance.

Helios Spain, however, showed another excellent quarter. In Q3, Helios Spain increased EBIT by 40% to €59 million. The strong Q3 2018 top line has a significant positive flow-through effect on the EBIT line. The year-on-year growth rate was helped by the softer Q3 of last year. And we expect that Q4 will show a more normalized growth rate.

Over to Fresenius Vamed on Slide 16, here, we are very pleased with Vamed's Q3 performance. Total sales came in at €476 million, a tremendous 78% year-over-year increase. If we strip out the transferred German post-acute care business, growth was still excellent with 34% in Q3 and 17% year-to-date.

Organic sales growth was very strong with 30% in Q3 and 14% year-to-date in 2018. Vamed is plowing ahead with both its project and service business and, in addition, has increased sales with Helios Germany and Helios Spain. With the stronger collaboration here between Vamed and Helios, we do, of course, see higher intragroup sales.

EBIT growth was stellar with 107%. The transferred post-acute care business contributed significantly with €15 million. We have seen a strong phasing here in Q3. Excluding this effect, EBIT grew at 7%, which brings the year-to-date 2018 figure to 6%.

Order intake of €112 million in Q3 looks a bit light at first glance. However, this is nothing to worry about. We had a very strong prior-year comp of €285 million with three large turnkey projects. And quarterly fluctuations in the project business are a typical pattern. The strong order book of €2.3 billion is a very solid basis for the project business, and this bodes well for the upcoming quarters.

Let's move on to cash flow on slide number 17, a strong Q3 with €1.149 billion of operating cash flow for the group. As you heard from me in Q2, there was some phasing of working capital for Fresenius Medical Care in North America. This quarter, we have seen some expected catchup of these working capital effects. And you'll hear more details of that later from Mike.

Kabi posted an excellent Q3 cash flow of €366 million, top left. A very strong Q3 margin of 22.2% took the last 12 months margin at Kabi to 18.4%. The increase is mainly driven by a strong operational performance, particularly from North America, and some working capital improvements.

With a cash flow of €128 million, we saw a last 12 months margin of 6.2% at Helios. So for the group, the Q3 performance took the group last 12 months margin to 11.2%. If you deduct group CapEx of 6.1% in the middle column, you'll arrive at a free cash flow last 12 months margin bottom right of the slide at 5.1%.

As I said in the full year call back in February, we've initiated substantial investment programs for our worldwide production facilities. Hence, investments particularly in 2018 will be a touch higher and will bring the CapEx-to-sales ratio slightly above our usual 5% to 6% range. Those investments -- you've heard about some of them from Stephan earlier -- are testament to our organic growth abilities and have a nice low-risk and high-return profile.

We finished Q3 at 2.75x net debt to EBITDA. Excluding the Sound divestiture, we ended at 2.96x net debt to EBITDA, sequentially broadly flat, mainly due to the evolution that we've seen in EBITDA. Hence, we now expect the full year 2018 leverage ratio to be around the level at the end of 2017. Of course, this outlook is excluding Akorn and Sound as well as NxStage and under current IFRS rules.

With that, let's turn to slide 18 for the 2018 outlook by business segment. So starting with Kabi, with 7% organic sales growth year-to-date, we have confirmed our outlook range of 4% to 7%. That's the blend of the regional contributions I mentioned, low to mid-single digits for Europe, double-digit growth for the emerging markets, coupled with the outstanding mid- to high single-digit growth for North America. On the back of the confirmed and strengthened outlook for North America, we now expect to reach the top end of the Fresenius Kabi 4% to 7% range.

On to EBIT, where we have increased our outlook, including biosimilars expenses, from minus 2% to 1% to the new range of 1% to 3% growth. Excluding biosimilars expenses, we have also increased our outlook range from 6% to 9% to an outstanding growth level of 9% to 11% EBIT growth. The increase is driven by a strong development across all regions, with North America standing out, where we have strengthened our outlook to mid- to high single-digit growth.

So overall at Kabi, nevertheless, I would remind you that we do expect the drug shortages in North America to ease with time. Specifically, with Q3 also benefitting from some phasing, Q4 is unlikely to reach the same heights.

Helios organic sales growth, with 3% growth year-to-date, we have confirmed the growth outlook and now project growth at the low end of the original 3% to 6% range.

For EBIT, we have adjusted our full year EBIT outlook from 5% to 8% to 0% to 2% growth. You heard from Stephan the reasons behind the lower sales growth in Germany, and I explained the operating leverage effects. These effects coupled with persisting cost challenges are obviously the drivers for the outlook adjustment.

And then to Vamed. The company's huge and well-diversified order book as well as the strength of the service business gives us confidence, and we have confirmed the outlook ranges of 5% to 10% for organic sales growth and EBIT growth of 32% to 37%, including the upside from the transfer of the German inpatient post-acute care business in the second half.

So taken altogether for the group, and that's now on slide number 19, starting with sales, 5% sales growth year-to-date, we now expect to reach the low end of the 5% to 8% sales growth guidance range. Here, the strength at Kabi has only partially offset the softer figures at Helios Germany and at FMC, which has lowered its sales guidance.

As to the currency translation effect, if current exchange rates prevailed until the end of the year, we would see a headwind of 3 to 4 percentage points, notably from the US dollar.

And to net income, with 7% net income growth year-to-date, we now expect full year 2018 growth to be at the low end of the 6% to 9% constant currency guidance range. Excluding biosimilars expenses, we also now expect to see the low end of the original 10% to 13% guidance range. Here again, outstanding figures at Kabi could only partially offset the lowered outlooks for Fresenius Helios and for Fresenius Medical Care and resulted in this lower expectation than we had in July.

With regard to currencies, we expect also here a headwind of around 3 percentage points.

With that, I'd like to say many thanks for your interest today. And Stephan and I are happy to take your questions.

Q&A

Operator: Ladies and gentlemen, we are now starting the question-and-answer session. (Operator Instructions) And the first question comes Veronika Dubajova from Goldman Sachs. Please go ahead.

Veronika Dubajova: Thank you, and good afternoon. I have two questions, please. My first question is on Helios. Stephan, it sounds that the lack of growth there is a combination of some self-inflicted measures and some structural issues in the market. Can you help us understand how significant each of those is? And as you sort of think about some of the measures that you're putting into place, what is your medium-term outlook for the German growth as you look at the business? That would be my first question.

My second question is on the Kabi North America comments that you made about the fourth quarter. Is there anything in particular that you're seeing in the market that's giving you -- that's making you believe that we will see the shortages unwind, or is this your usual cautious self just trying to not get us too excited about the momentum there? Thank you.

Stephan Sturm: Thank you, Veronika. Number one, on Helios, I cannot quantify that for you I'm afraid because many of these effects are really inter -- how should I put it -- intermingling, interconnected. And therefore, it would be false accuracy to point you to that. But overall, your description of some structural events which, however, have been to a very large degree anticipated and some self-inflicted is accurate.

Going forward, I was hoping that I was able to convey that, structurally, for the medium term, we are bullish for this market. I do believe that these trends that we're seeing will materialize, that we have seen them very early on, also, maybe particularly, benefiting from the insights that we have gained in Spain. Spain will also give us quite some insights as to how to mitigate these trends and to best position us.

As I said earlier, I am very keen and convinced that we can not only mitigate these trends, but that we can capitalize on them. If our assumption is correct and these trends will come about the German hospital market more comprehensively, then no doubt, you will see more consolidation. Then no doubt, you will see those players benefit who are more integrated between ambulatory and stationary care. We are best positioned to capitalize on this.

Going forward, look, I would be surprised if we saw a meaningful deviation in the foreseeable future on the reimbursement rate as far as the DRG inflator is concerned. I would expect more catalog effects. I would also not rule out that we're going to see some more stringency on reimbursement of cases that are on the borderline between acute -- I'm sorry, between stationary and ambulatory treatment. And the latter may also weigh a bit on growth. But again, structurally, I have little doubt that we're going to see low single-digit organic growth going forward, ideally, and again, if our assumptions are correct, likely, coupled with a reinvigorated M&A and privatization environment.

On your second question on Kabi in North America, as we said earlier, drug shortages and their recent rise have been driven by a number of players. However, there is a concentration of these situations on a few. I have no specific knowledge, but given that concentration, I just want to alert you to the fact that, with one of the larger players that are currently responsible for quite some share of these overall shortage situations, if they get their act back together, that that could reduce the number of opportunities that we're currently benefiting on meaningfully. At the same time, past experience has been that, in a situation like this, some other shortage situations have popped up. So take it as general cautionary language. Hope that's helpful.

Veronika Dubajova: That's very clear. Thank you, Stephan. And a quick follow up on the Helios in Germany. When would you expect to return to the historical 3% to 4% growth rate that you've seen in this business in the past?

Stephan Sturm: Veronika, I think what -- we are acutely aware that our credibility has taken a bit of a hit with that ad hoc statement. And therefore, in a situation like this, to go too precise, too forward looking is probably ill advised. I would ask you to bear with us maybe until the end of this year, but more likely until we get back to you in February.

Veronika Dubajova: That's very clear. Thank you.

Stephan Sturm: Thank you.

Operator: The next question is from the line of Michael Jüngling, Morgan Stanley. Please go ahead.

Michael Jüngling: Thank you, and good afternoon, everyone. I have two questions, firstly, on Kabi and, secondly, on Helios Germany. On question one, if I look at the Kabi EBIT margin development ex-biosimilars, it's been gaining pace throughout the year. And I'm still unsure exactly what the key drivers are for this material improvement in the margins, especially US and Europe, because drug shortage has been with us for quite some time. And if I look at the IMS data, it shows to me that, over the last six, seven, eight months, the pricing development in general has improved. And would you caution on factoring in margin expansion for Kabi for 2019?

Question number two on Helios, can you please talk a little bit more about how you intend to address the outpatient trends? What I'm interested in is, are these initiatives to open more clinics in a spoke-and-hub model, the timing of those initiatives, the capital requirements, and also the cost considerations if you indeed need to roll out more of these hub-and-spoke models across Germany to what you already have today. Thank you.

Rachel Empey: Michael, it's Rachel on your first question in terms of the Kabi margin. I think, overall, what we can say is that we are benefiting from a mix effect, particularly given the strength of the growth that we've seen in Kabi North America relative to the rest of the group.

And secondly, IMS data is obviously an interesting source, but not always the best and absolute reflection of what is going on. But with some new product launches that you heard about earlier helping us in terms of our sales momentum, but also us benefiting quite meaningfully from some drug shortages, that is also often helping us in terms of relative margin. And the weight of those particular aspects this year has clearly helped us, not only with our North American margin, but also in the overall development of the Kabi margin.

So you've got a number of moving parts, but that is particularly I would say driving the performance. We've also seen a good European margin. And here, we've been I would say particularly effective in terms of managing our overhead base and being able to leverage what we already have as we drive particularly the enteral nutrition growth across Europe. And that has also helped us in terms of the evolution. So I hope that gives you a little bit of a picture.

Clearly, I don't want to comment too specifically in terms of what we might see going forward. Clearly, the overall evolution of Kabi is I would say materially influenced, as we have heard already, from what happens in the North American business. And you've heard some of our feelings in terms of how we feel about new drug launches, but also about drug shortages in North America. But at the same time, you've also heard what good momentum that we have, particularly across the enteral nutrition business and across the emerging markets. But I don't want to speak too specifically because, clearly, as Stephan has clearly outlined, there is a certain degree of uncertainty, in particular in terms of how that shortage situation will evolve in North America. Thank you.

Stephan Sturm: Just for the transcript, heard our feelings is with a soft D, not with a T. Anyway, on Helios, Michael, what we do anticipate and we're actually driving for is a breakdown of the barrier between ambulatory and stationary care. That is what we've seen in Spain. That is what we're experiencing in the Latin American markets that we have looked at. That is what we're seeing elsewhere in Europe. I believe, we believe that it is only a matter of time until also Germany will come around this. We're preparing for that.

Hub and spoke is frankly something that we're doing for quite a while now already. I would basically translate that with our clustering initiative. Yes, the more complex, the more rare cases we turn to specialized hubs, whilst the satellites out there are responsible for getting us those specialized cases, but rendering basic -- more basic medical services.

But what -- at the core of this actually is that we really need to closer -- to integrate more closely the ambulatory care just as we're doing it in Spain. So we're not talking that much about it like many others, but the number of so-called MVZs, the doctors' practices that have an attachment to our hospitals, has grown over the years, is at a substantial number. The new business unit that I was referring to that is meant to look at treating patients in an ambulatory setting more intensely now also has been given the task to find out whether all of those doctor seats that we have acquired over the past actually make sense and whether we're getting the referrals that we were relying on at the time of the announcement.

But what I very deliberately made reference to that current pilot project that we're seeing in the northeast of Germany, that is something that -- where I believe we're going to serve the population much better. There is an alternative model, where resident doctors are trying to take over hospitals that nobody -- that are no longer wanted. I believe that there are serious disadvantages to such a model. And we're trying to portray ours as superior.

When I look back to the doctor seats that we have acquired, capital required is very low. Separate calculation is difficult. That is why me saying that new business unit has that task is easier said than done because transfer pricing of services rendered by the adjacent hospital can be priced at different levels. Overall, I wouldn't be surprised, as I said, if we saw a bit of margin dilution but, in return, we saw substantially lower capital intensity in a model like this.

Michael Jüngling: Okay. Just -- so Stephan, just to clarify, so if we go into 2019, would you say it is not unlikely that we may need to have a bit of a -- more of a restructuring effort to get Germany right, meaning --

Stephan Sturm: No, restructuring -- no, let me -- sorry if I interrupt, but restructuring is completely the wrong word. What we're trying to do is to implement more stringent measures to prepare ourselves. We're not talking about restructuring. You heard me talk about more respect for doctors, more respect for nurses. It is exactly the opposite what we're trying to do here.

Michael Jüngling: Great. Thank you.

Operator: The next question comes from the line of Tome Jones, Berenberg.

Tom Jones: My two questions, most like everyone else, one on Helios and one on Kabi. On the Helios, if I look at the guidance change that you provided a couple of weeks ago, it looks like you're now expecting somewhere between €100 million and €130 million less revenue and perhaps €50 million to €60 million less EBIT than you once were. Thank you for the sort of very clear explanation of where that's all coming from. But the one thing -- piece of the pie that would help me I think is if you could give us a bit of a breakdown on the revenue side of how much of that lower revenue outlook you expect is a result of lower admissions and how much is due to the DRG catalog reweightings that you saw.

And then at the EBIT level, again, a similar question, what -- how much of that EBIT shortfall is a result of the lower volumes, and how much is a result of higher underlying costs? I guess what I'm trying to get my head around is, once volumes recover, how quickly does the margin follow suit?

And then second question's probably one for Stephan, more broadly on the biosimilar business. With your Humira biosimilar, you're not going to be the first to the market. In the pill market, that's a disaster. In the small -- in the injectable market, it's unhelpful, but not a game changer. But in the biosimilar market, do you think factors such as reliability of supply, quality, and reputation are going to count for far more than they do in the small molecule injectable market? And thus, being a few months behind the competition to the market is perhaps much less of a commercial concern in the biosimilar world than it is in the IV -- the small molecule IV injectable world.

Stephan Sturm: Tom, if I may, just because it's fitting, then I will answer your second question first. That will give Rachel a bit more time to think about your answer. And basically, you've given the answer yourself. Yes, that is very much what we do believe, over and above the fact that these markets are humongous in size, there are -- and therefore, there should be room for at least a handful of players in there. I would believe that you can clearly differentiate yourself by manufacturing reliability, by being even closer to the originator product, but also by ease of service and administration for the individual patient.

And finally, given that, in particular, when you're talking about ADA, these are chronic diseases. So taking care and servicing around a community of chronically ill patients, frankly, that is something that we know quite a lot about when you look at Fresenius Medical Care, but also when you look at very many of our Fresenius Kabi patients that we're serving. And therefore, we do believe that we have a few ideas how to differentiate ourselves and at least get to a fair market share.

Rachel Empey: Tom, let me try to address your question in terms of the movement in sales and EBIT at Helios Germany. I think you'll appreciate that, similar to Stephan's answer earlier, you've got a number of moving parts that are inevitably interlinked. And so giving you a definitive answer is clearly difficult. But let me try to give you an idea.

If you take a look at Helios Germany, you look at the quarters this year, we were seeing more a stable admissions situation in the early quarters, and we saw a decline in the order of magnitude of around 2% in the third quarter. That is in combination, obviously, with the DRG inflator effect that you know of just under 3% and then the catalog effects and the mix effect when you compare year-over-year. And those in combination have brought us to the broadly stable revenue growth or revenue position that we saw in Helios Germany in the third quarter.

So you can see that you've got some offsetting effects that are linked and are clearly quite difficult to decouple. But in principle, the mix effect and catalog effects offset some of the inflator effect of the 3%, but not all. And then you have the effect of the lower admissions of around 2% in the third quarter.

Tom Jones: Sure. That's very helpful.

Rachel Empey: When you think about how it flows through to EBIT, you know about the operating leverage effect, and you can play with the maths, but you've got a high fixed cost level. We're talking 70%, 80% in some instances. And so that volume effect on the top line is particularly material when it comes through to EBIT. Yes, there is an incremental cost effect that you've understood. But clearly, the biggest lever in terms of movement quarter-on-quarter and, obviously, for us, the one that is particularly more difficult to foresee, particularly in a summer quarter, as you heard from Stephan, the bigger lever is clearly the admissions piece and the impact of those sales as they flow through to EBIT.

Tom Jones: Sure. I guess the reason I asked the question is, with €100 million, €130 million less revenue, given the operating leverage in this business, I'd have actually expected a bigger EBIT drop than the one that you've implicitly guided to. So that was kind of what was confusing me about the changing guidance.

Rachel Empey: Clearly, the third quarter I would say was a particular quarter. And it has all the vagaries of the summer quarter, both in Germany and in Spain. And we do expect to continue with a very nice growth performance in Spain, which obviously helps underpin the group figure.

Tom Jones: Sure. Okay. That's very helpful. Thanks very much.

Stephan Sturm: Thanks, Tom.

Operator: The next question comes from Gunnar Romer from Deutsche Bank.

Gunnar Romer: Good afternoon, everyone. Thanks for taking my questions. The first one would be on your acquisition in Colombia. I was wondering whether you can comment on profitability of the business. I think you commented on sales. Any comments around profitability and the potentials you're seeing on that front, and then obviously, to what extent we should think of that as a platform for further acquisitions in the region?

And then secondly, coming back to Helios Spain -- to Helios Germany, sorry, you talked about potential further margin dilution near term, which makes a lot of sense, given the current trends that you're faced with. Just curious as to whether you can comment on the margin dilution that you would expect from the regulatory changes. Is there a way of quantifying that for us? Thank you.

Stephan Sturm: Gunnar, on Colombia, it -- first of all, let me say it sounds a bit like a deviation from the original strategy, when we were saying that we would be looking for platforms. I have to say platform strategy is, from my perspective, a prerequisite for a developed market. When there is no meaningful platform in a market that is still developing, and in particular, when that market has some catchup potential when it comes to serving the patient base, I believe also a rifle shot does make sense.

So when taking a closer look at what Quirónsalud had already done before we acquired them with a hospital in Lima, it made increasingly sense for us. And Colombia, despite the reputation that it had a few years ago, by now from our perspective is one of the more stable markets in Latin America. It fits all these other criteria. In Peru, we are now looking at a very healthy EBIT margin coupled with meaningful growth. We brought something to the party -- you know that that's always very important for me -- in terms of synergy benefits between Spain and Peru. And we'd like to replicate that.

Look, the size of the hospital is small. I was referring to €50 million. It is nicely profitable. I'm asking for your understanding. I don't want to talk about specific margin levels, also against the backdrop of local press coverage. But I can assure you it is attractive and growing. But it won't move the needle for the Helios business. As far as your -- at least for now.

At -- as far as your second question is concerned, look, we're working against a backdrop of a bit of uncertainty. But as it seems right now, for 2019, whatever we would add to our payroll is likely to at least to a large degree being reimbursed. And therefore, I was consciously using the word benign as far as a potential impact is concerned.

For 2020, again, the situation isn't very clear at the moment. I'm not sure whether our politicians in Berlin at the moment are entirely clear about what they would like to accomplish on this front. So -- and we all have to be a bit more patient. But as I did say, we're working with a variety of scenarios. Overall, I will -- look, again, against recent profit warning -- at least it was perceived as a profit warning by the market -- I will cautiously choose my words. But overall, I would hope and expect that the EBIT impact is somewhat manageable in 2020. I'm afraid that is qualitatively as far as you will be able to drag me here.

That concludes today's conference call. Thank you for your interest. Thank you for bearing with us through quite extended prepared remarks. Thank you for your attention and your question. Rachel and I will be on the road, will meet some or many of you. And Markus and his team will also be available to try and answer any further questions that you may have. Thank you for bearing with us. All the best.

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