



FRESENIUS SE | EUROPEAN HEALTHCARE CEO CALL SERIES | 9th October 2025

Speaker 1:

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David Adlington:

Great. Thank you. Good morning. Good afternoon, everybody. Thank you very much for joining us today.

Very happy to continue the 2025 Healthcare Conference Call Series today with Michael Sen, CEO Fresenius SE. Just a brief reminder of the format, Michael makes some initial comments, then I will lead us through some Q&A, and then we'll open up the lines to investors. If investors will prefer to email in questions, please feel free to do so to david.adlington@jpmorgan.com, and I'm also available on Bloomberg chat. So, with that, thank you, Michael, for joining us today. Much appreciated, and over to you for some initial comments.

Michael Sen:

Yes. Hi, David. Hi, everybody, and great that you could make it on the call. I will not steal too much of your time with the introductory remarks. Those who've been following us know this has been quite a journey, actually a journey with a lot of outcome, pointing obviously into the right direction.

October 1st was my third year. This is where I started three years ago as a CEO. Some profound changes we made when we embark on that journey, which was all captured under the roof of future Fresenius, who have followed us in the first phase of Revitalize. This was all about simplification, being focused on our businesses, and there's a lot which you see from the inside, and then obviously, driving the performance to performance mindset. This was accompanied by a lot of, today we call it soft power, soft

facts, changing the culture, changing the accountability. Going into this year, actually, David, it was at the beginning of the year, at J.P. Morgan, where I said this is going to be the start of the Rejuvenate.

And what does Rejuvenate mean, which is going to accompany us for the next couple of years. This is about new products, new innovations, coming to market, now that we fought the dragon the last couple of years. This is now being focused on the marketplace, on patients, on customers. This is about new people in our leadership team, management team, bringing new ideas, and obviously, you see it in the makeup of the business, where at the beginning of the year, I said the incremental growth on revenue growth is going to come primarily by new products and services. And if I look at the first half, and we're just about to finish closing the books on Q3, not done yet completely, but I guess I have a glimpse on how it went.

If I look at the first half, given the really, let's say, dynamic operating and geopolitical environment, I'm happy that we are building on exactly that momentum in Revitalize. Looking at the first half, revenue growth was nice, so we even upgraded the outlook for the full year, from four to six to five to seven. A lot of moving parts have been very transparent to the market on the headwinds, for example, with the Q2 effect, primarily starting to materialize in Q2, there's an integral effect, and then Q3, Q4, noting that Q3 is obviously a seasonally, always weak margin, on Quirónsalud, and therefore seasonal quarter, but also on the positive side, one molecule after the other, hitting the market, getting more traction on biosimilars, on nutrition, a lot of innovative formularies hitting the market on the pharma piece. The launch is pretty much on track, then a lot of internal dynamics and how we're shaping up November for the budget so that we are ready at the beginning of next year to tell you how we're going to do in '26. I'll leave it there and open it up for questions.

David Adlington:

Perfect. Thank you, Michael. So maybe I'll kick off here. You've been CEO now for, I think nearly just under three years, and obviously you mentioned the substantial amount of change through that time you exited Vamed, sold us some other non-core assets, restructured, presented medical care. On top of that, you made some substantial operational improvements at Kabi, and you're looking to do the same at Helios.

So I suppose, the first big picture question is actually two questions. Firstly, you've achieved a lot in the last two years. What was the most significant challenge, and also, where do you still see the biggest opportunity?

Michael Sen:

Yeah, well, if I look back at the last three years, I'll be very humble by saying we touched many things, numerous things. There are a lot of CEOs, when they take over, let's say, on assets which have potential, which I thought three years ago, we have a lot of potential, because we're in a healthcare market, but are not well-positioned or not doing well. For textbook, you cannot do everything, but we did do everything. We changed people, we changed structure, we changed culture, we changed the way we measure success, and we had clear goals from the very beginning, that from the very beginning, we said, "Remember three years ago, when my first call," I said, "This is all going to be on driving returns and structural productivity." So the structural productivity had a lot of element of self-help in there.

This was the structural cost savings, but now, on top of that one, now in the Rejuvenate phase comes obviously this scaling and growth element, because the productivity is also driven by growth, by new products, by innovation, by better serving the market and so on and so forth. It was tremendously, not complicated, but an effort to deconsolidate Fresenius medical care. And why do I say I'm humble? Because the operational improvement, everything worked, and by the same token, if you look at where

the company stands today, next to, let's say, the operational potential we still see on improving the business gradually going forward, we have options. We created optionality by having Fresenius Medical Care as an investment company, and only one year after deconsolidation, we already did draw down the participation by the exchange of a bond and an ADB, and now, even going lockstep with the share buyback on their side, which is, in a way, for me, a monetary item on the long run and gives optionality.

And if you look at what the debt has been doing or the net debt to EBITDA, out of our own strength, out of our own efforts, we have been improving that one. So I'm humble, and going forward, obviously I want to be in a position with the entire company to capture the opportunities, which you will probably drill me on when we go business by business.

David Adlington:

Perfect. You did touch on something there, which I wanted to touch on a little bit more, which is the culture of the business. How would you describe it when you arrived and the changes that you've made, and how did you go about making those changes? Is culture one of the things that's most difficult to change when you come into a business?

Michael Sen:

Well, the business, first of all, when I came three years ago, the portfolio was way too broad, way too broad. That's why one of the things was to focus, and if you have limited resources, it all starts with capital, but it also ends with management time, management resources, and it also is a function of capabilities. Where are you really strong? You remember when I said, when I came at Fresenius, I dissected Fresenius in 28 business fields, and really did the regular strategic mapping as to, "Where are we strong?," "Where do we have growth potentials?," and, "Where do we need to allocate resources?," not only capital, but also talent and management resources. So this whole focus kind of topic, that's why Vamed, irrespective of what we found there, somehow didn't make sense.

FMC, it was a very complex situation with the KGAA, double KGAA structure, no clear accountability, and this is exactly what we changed. What we're trying to instill, and we see this, and you were right by saying Kabi is a little ahead of that one, even though the businesses are different and in the hospital business, but this constant mindset of productivity that you need to drive your bottom line, so you need the volume. For example, the pharma business, it's all about needing the volume. If you want to bolster price, you need to have innovation. If you have a nutrition or a med tech business, innovation can drive EVM pricing power.

We have seen ... Three years ago, everybody said, "There's no pricing power in this industry." By the way, there is, which we were also embarking on in the last one and a half years. So this is basically what we've been changing, and now we're going after no opportunities.

David Adlington:

Perfect. Okay. Let's move on to the core businesses. Let's start with Kabi, which in itself, is actually still quite a broad business with pharma, nutrition, med tech, and biopharma. Let's start with pharma, so IV drugs and fluids.

Certainly, I think a more mature business now and one where the business certainly enjoyed several years ago of super margins in the U.S., as a lot of the competitors were off the market. That competition came back and pricing margins came under pressure. How do you see the outlook for pricing margin for the business, and what is one of the more commoditized parts of your business?

Michael Sen:

Yeah. Maybe, David, I'll take the opportunity to build on all the businesses again, because you said the Kabi, which is quite not complex, but you said numerous businesses. At the end of the day, Helios and Kabi are internal organizational levels. It's a span breaker if you so wish to manage businesses. If I come from the market, product market combination definition, we have six businesses, the two hospital business in the two geographies, and then nutrition, IV fluids, and pharma, biopharma, and med tech.

For what we call Kabi business, there are some commonalities on the go-to market, that in geographies in the go-to market where we cater the same customer group so we can benefit from having that broad portfolio across these businesses. And if you look at the logic, where we came from, and how we delivered, and how we created optionality, that IV fluids and generics business, and I started with Vision 2026 when I was at Kabi, is the stable business. We call it 3+1, it's very big, it's stable, and it's highly cash-generated. It's not a high-growth business, it grows by roughly 3%, is what we said in the capital market day, but it has a margin where we said it's going to be around 20%. And if you do the math on organic growth rate times 20% on a high level, you get to earnings and earnings growth, and that earnings growth is very close to cash.

So it's a highly cash-generated machine. And it's a very stable base because, for example, in U.S., you see that it is essential. We are catering 70% of the essential medicine list from the FDA. We have a lot of capacity in the U.S. And yes, you are right, there's a lot of competition coming in, but this is nothing new.

This is what I think with the productivity mindset, what you then need, and there will be price pressure. We will have to see what it really means finally, when all the tariffs and everything. When that is signed and dusted, what do the Chinese and Indian competitors really do in the U.S.? Up until now, from a customer perspective, customer dialogue perspective, when we are talking with our customer, there's not much impact yet. You see it more in the headlines of the newspaper, but customers still buy by price, primarily by price.

But next to price, there are other things, where we believe we are pretty well-positioned, which is the breadth of the portfolio. And then local manufacturing, we did that already to be close to the market, having warehouses, having logistics, having seamless integration into the hospital with RFID codes, and so on and so forth, because when you have a broad portfolio, the GPOs are more willing to talk to you, to contract with you, because it's about supply certainty. If you have these onesies, twosies competitors, which provide one or two or three molecules, it increases the complexity. So that business remains very important as a base. It is not to be taken as a cash cow, because in a cash cow, you don't invest.

We also invest to keep it afloat if you so wish. So the volume piece on that one, which I said, is highly important. And if we can drive the volume, we can compensate for the price pressure there, and that makes that business grow by 3% and have the margin of 20%. And the 20%, don't forget, is with the IV solutions, which has a lower margin than IV generics. If you compare and contrast it with other peers, the IV solution ...

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Michael Sen:

If you compare and contrast it with other peers, the IV solution has a lower margin, but the stickiness of that one is very high. This is something every hospital needs, so that gets us through the door in with the customers.

David Adlington:

Perfect. And just on the IV solution side, you've been around [inaudible 00:15:21] at your Wilson North Carolina site, one of those areas of investment, I think. I think you initially started that really just for US security supply, but now, looking pretty good in terms of a tariffs angle, as well. Maybe just while we're here, you comment on how you're feeling about exposure to tariffs and what mitigations you might take there, particularly the need for CapEx environments in the US and obviously, we've actually got some breaking news today with some headlines coming through that actually generics are not going to be subject to tariffs. Maybe latest thoughts on that breaking news, as well.

Michael Sen:

Yeah, I'll come to the breaking news in a minute. Let's go to Wilson. It was a deliberate decision to invest in the US, have the capacity, as I said, we want it to be close to the market and next to manufacturing also have the whole distribution, warehousing, and logistics there to be a real player. So, we can say in one and a half to two days, we can ship everything everywhere into the US and sometimes, depending on the molecule it goes even faster. So, this is an effort, this is an asset in itself. The second thing is obviously IV solutions, as I said, if this brings you through the door, if this is something which everybody needs because every medical procedure needs solutions. You can't ship IV solutions in a plane from Europe to the US. That doesn't make sense, so that's why the capacity. With that thing coming online last year, August, I'm actually satisfied with the ramp up I'm seeing.

Depending on the lines, if we talk about pre-filled syringes and so on so forth, we're pretty much on getting there on capacity utilization and from what I see, the capacity utilization is increasing. I said in the last call, we are picking up share. Also, this is still on low levels, but in terms of absolute market share or percentage market share in the US IV solution, but every increment helps us to drive the factory and to drive the fixed cost absorption. And I expect Wilson to be even a higher loaded next year vis-a-vis this year.

David Adlington:

Perfect. And then just returning to that, your thoughts on the breaking news today about generics being exempt from tariffs?

Michael Sen:

Tariffs, yeah. Sorry. Look, we also saw that, I've said in the last call that actually, we are having very intense and constructive dialogues with the administration on the hill via several channels, via associations, but also having personal contacts being also invited to state our opinion. And the section 232 is still ongoing. So, we like the news which we saw, but it's still news, so I'm happy to see this, let's say thought, but until it's not signed and dusted, I'm not getting excited. The fundamentals remain. We are a very local player. 75% of what we do on the pharma side is in the US for the US. We started two and a half years ago, this more in America campaign.

I was, the other day, at an event with a lot of other CEOs and a high ranking former US official who even quoted Fresenius telling other companies, "This is the way you've got to do it." You've got to put your investment dollars into the US and also tell people about it. This more in America campaign really had a business element to it because we said more manufacturing, more science, more supplier base, more APIs. So, really going into depth because you need to build out that supplier network, that API network. And that is difference, contrasting and comparing that one to someone who just exports, let's say a restricted amount of molecule based on price from India and China. So, like what we are seeing, but no reason to get overly excited.

David Adlington:

Perfect. And I just briefly returned to that, to the Wilson facility. I think you indicated it was diluted to margins as you ramp up. Is it diluted enough that it was something we've been noticing the numbers and how long will it take you the effect of that full capacity?

Michael Sen:

No, you will not notice it in the numbers on the contrary, and it is obviously dilutive in the ramp up phase because as soon as it became online, because you have depreciation on that one, I think educated investors will know if I look at the cash earnings, obviously, the cash is already gone, so I would need to look at the cash-out on that one, which is only material costs and labor costs. And then as I said, as the capacity utilization is ramping up and getting closer to normal base capacity for a factory, which I assume next year, we will probably see the fixed cost absorption will increase because the volume will increase and that gives you incremental margin. So, I'm not worried to seeing that in the margin, especially when we talk about next year.

David Adlington:

Perfect. Okay. Let's move on to the growth factors at Kabi, let's move on to nutrition first. Your way, you're pointing to 4% to 7% annual growth. You've already got number one market share. I think what's going to drive that growth from here?

Michael Sen:

Well, innovation is going to drive that growth and further, market expansion, but if you do a classical end of matrix with the existing product portfolio, but you can always innovate with new products and new market. So, new markets is more regionally, geographically. I can talk in a minute about China, which is 26, 27, but also the US, we've been talking a lot for the last almost, you know it David, decade, how you cater the US and always having had that notion of an M&A as a bridgehead to go into the US but that never worked because there has never been a target. So, we started one and a half years ago, irrespective of non-regret to go there, go in there organically, especially with parenteral nutrition because parenteral nutrition, as I said, the vectors meet at the go-to-market. So, hospitals are the primary customers and as I said, from a very low base, very good inroads, very high growth rates, nice pick up, and seeing that the customer picks up.

For example, something which we have as a core in our portfolio, three chamber bags that the US was not so much used to three chamber bags, but it seems that they're getting more used to that one. We are also going into next year broadening the portfolio. It was primarily the first one and a half years based on lipids, lipid emulsions. Now, we're increasing it with amino acids, electrolytes, and all other ingredients. So, by that, broadening the portfolio. So that should again lead to some incremental growth which cater then for the overall portfolio of the 4% to 6% in Europe and in other parts of the world, I would say keep the market share by new formulations. We came in Europe on the pediatric market, for example, penetrate no home with a new product. So, this is what I mean with rejuvenate and we set for this year, by the way, that we are investing a little bit, when we guided it for the full year on the margin for Kabi, we said nutrition probably is going to invest something in R&D, which will hit the market in 26, 27. So, there's a whole launch also pipeline, and that is driving that growth.

David Adlington:

Perfect. I looks forward to more color on that in the future. Maybe just on China for nutrition, that has been a bit more of a challenge. How are you thinking about China from here? And obviously, you've had

that headwind from VBP for keto and we'll have the next couple, two or three quarters. When you look at the rest of your China business, are there any other areas you are worried about VBP or any other Chinese initiatives that might look to take cost out of the system?

Michael Sen:

If you look at it statically, there will be other VBPs, even if you don't know what it really exactly will be, because that's the way they're going to go about catering not only medicine, by the way, also medical technology and products and so on, so forth. So, you need to come up with new things. I was not so bullish on China last year and also not for this calendar year. Next year, we'll update you at the beginning of the year, but what I did say is that I could envisage some, I'm now talking technically, I'm not talking about any geopolitical or any domestic regulatory thing, but technically that we could see some growth in China, late 26, 27, it's the FSMP, the Food for Special Medical Purposes, which is, it's not a drug, but it has specific regulatory approval hurdles and it's an out-of-pocket expense. So, the segment obviously is smaller, but it is also has a specific profit pool, which will not be on the VBP.

The next thing is second half of next year, we're going to also produce and there's a factory line coming online, three chamber bags in China. In China for China. So, there will be growth in China, but there will be also growth in neighboring countries because we are going to in brackets export from China to, I don't know, Vietnam and then other countries instead of shipping this whole stuff from Europe where the factories at capacity or almost over capacity and shipping the stuff to. So, on China, next year, it's too early to tell, but I would say maybe I'll expect technically some growth. We have to then see, let's say the overall economy is still volatile. We have to see how they also react to the tariffs and everything. We have been saying that there is even public statements that maybe on the VBP, it went too far, a public statement, not from the officials but from doctors because also, it's about supply certainty, but technically, there may be some growth next year.

David Adlington:

Perfect. And then just stepping back, one of the big picture drivers for nutrition is that more holistic view that patients do better, whether it's in an acute or a longer-term setting like elderly care with nutritional support. But obviously, there's the cost of the products. How do you get payers to buy into offering clinical nutrition, particularly as they can be different budgets or pockets of reimbursement, and how much success are you having with that?

Michael Sen:

Yes, that's a very good question. If you look at the whole scientific and medical arena, there's more and more evidence, real clinical studies that nutrition is having a positive effect on clinical outcome. Now, of course, there is a cost attached to it, but we are in the midst. But this will take quite a while that payers but care providers realize that with the right nutrition, you get to better clinical outcome and the more you measure quality, the more you measure outcome. Obviously, this is a key ingredient than just a cost item, which was not a core cost item because it maybe was in general expenses for food in the hospital. That really changes, but that is given from where we are today, this is only a positive increment because we are already in the world today growing by the 4% to 6% and having the margin we have on nutrition, which is very, very attractive.

And now, actually, one of the drivers going forward is exactly that. More and more people talk about, we call it here internally, the food is the drug or the food is actually the medical intervention and therefore, even the cost associated with that, if I look at our products, is not in relation to spending on a

medical equipment. I think it's doable, but it's actually a good trajectory we see that people know that the nutrition has positive clinical outcome, for example, on oncology patients.

David Adlington:

Yeah, absolutely. Good. Maybe if we move on to med tech, where you pointed higher growth, so 8%, 10% growth. Again, maybe you could just point to the drivers of that growth and what looks like a reason mature business with some pretty strong competitors.

Michael Sen:

Yeah, well, depending on the segments we have there, we have the cell and gene therapy, we have the whole plasma area and then the occlusion. So, in essence, we have infusion and nutrition system, and then we have the cell and gene therapy. Cell and gene therapy in Q2, we said is or has been growing by 40%. I think we're just at the beginning, the beauty of what happens on cell and gene therapy, we can ask our own network, our own clinic network, how they're using it, at Helios Germany, but primarily now also at Quirónsalud, cell and gene therapy is becoming a real therapy. So, that means the whole value chain of that industry needs to be built. We have parts of that value chain at the beginning of the value chain when we take the blood, when you take the plasma, when you take the purify, everything unfractionated, and so on, so forth. So, that is working quite well on the infusion and nutrition system. There's the famous Ivenix, which is having, let's say, some, in my view, very normal, let's say business-

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Michael Sen:

... in my view, very normal, let's say, business challenges. As you industrialize something which used to be only two and a half years ago a startup, you need to create the supplier network, you need to manufacture not a hundred pumps but now 20,000 pumps. But the customer response on that smart pump is, not still, is amazing as we speak. So it's rather how do we balance that, as I always say, I don't want to have too many pumps out in the field and still have some child sickness issues because then it can get costly in overcoming it other than if it's software, then you make a software dispatch.

So Ivenix is on the one hand driving that, cell and gene therapy is driving that. For this year, next to Ivenix, we talked about the nomogram. So the adaptive nomogram get more blood and more plasma with a device. And again, software, this is innovation, which is driving also the top line for this year. And in Q2, MedTech didn't do too bad on top line growth. And I guess Q3 will also not be too bad. And as the Ivenix rollout may be a little slower than expected, economically for the bottom line is not even a bad thing because that gives us in brackets on the core of getting the cost down per pump gives us a little more time.

So these are the drivers, cell and gene, software, nomogram, Ivenix on the MedTech business.

And yes, there is a lot of competition, but lately what I've been seeing is that the competition has had, without commenting on them, but from what I gathered is having had some challenges. And that is exactly the point when we bought Ivenix on that infusion therapy system, that space is pretty under innovated, and Ivenix is jumping the leap, making a big jump, deep frogging if you so wish, into a smart thing. And by the way, the Ivenix is a large volume pump which also helps us fill the load in Wilson because some customers do bundle business by the IV solutions together with a large volume pump.

David Adlington:

Perfect. Very comprehensive. And then maybe finally for Kabi, let's talk about biopharm or the biosimilars, an area where you've put in a lots of investment, both from an M&A and an R&D perspective over the last several years, but 2024 really felt like you were beginning to steal real return on that investment with some really strong growth and margins into positive territory. '25 continued that strong growth. Tyenne has been probably the biggest driver, particularly good market share in Europe, a later launch in the US, but tracking almost in line with the European launch in terms of market share. Maybe just on Tyenne first, how has that done relative to your original expectations so far and what have been the key things you've learned for future launches?

Michael Sen:

Yes. Actually we've learned a lot. I mean, you are absolutely right and this was one of the key drivers on entering Rejuvenate. That's not the only one, but entering Rejuvenate that this year, this thing is a real business. It is tremendously growing, and as you rightfully said, catering return has, so the margin, the incremental margin expansion year over year '25 versus '24 is huge because last year it was almost zero, not entirely zero, we beat last year even. It was a small positive contribution. But before that, it was really an investment case.

And if I really think about when I also started, I came in '21 to Kabi, if you remember, it was almost a one product, one R&D company. There was Adalimumab, which was Idacio, just about to hit the market. The first markets were France and Germany, and then everybody was waiting in two, three years the US is going to come, and that was it.

And if I look at it today, this is now a real business, and I'll come to that in a minute in numbers, but if I look at the value chain, we have a full development engine. We have now shown that we can develop molecules and bring them to market through the whole regulatory approval process because we now have six molecules in the market globally.

So we developed them ourselves from cell selection all the way through to regulatory approval, getting the HCPCS code in the US and so on, so forth.

On top of it, we are now going to have a manufacturing platform, which is mAbxience because in the past with the five molecules in development, we had five different contract manufacturers. Going forward, this is going to be harmonized.

And then on top of it, we now have a commercial front-end. We now have four molecules active, four molecules, five, four in the US. So we've learned a lot and the whole market has learned a lot in the last two years.

And with mAbxience we have even more development capabilities and capacity even getting third-party stuff in there, which derisks a little bit the whole profile. And that is a totally different ballgame to what we had before.

And Tyenne is developing to our expectation. Before I came into the call, I looked at the latest IQ VR number, 12% market share in the US. Last week it was 10%, now it's 12%, 24% in EU5, and making good inroads, have multiple customer contracts with PBMs, with health plans, and so on, so forth.

We also learned with Adalimumab, or Idacio, that they're different. It's not only becoming on the national formularies of the big PBMs with the originator, we went different ways. We went with EVO, we have an unbranded Adalimumab-aacf, which the more we sell it is a contribution to the bottom line.

And we learned at that time that the target product profile maybe was not ideal. We learned on everything else. So Tyenne has IV and SC, part D and part B. Then Ustekinumab, our Otulfi, is in the market in the US. It's in Europe, but also in the US. And we disclosed in Q2 that we have to deal with Civica health system.

I'm happy actually to report that also on Denosumab where we also at the HCPCS code now, the J code, to really market it. We are having the first pieces of revenue if you so wish.

So that is very encouraging because that was what we needed and we'll probably come to Outlook or what have you. We needed in Q3 and Q4 to materially ramp up versus Q1, Q2 on biosimilars.

And then there's another piece, we'll probably hammer that in our Q3 call, but I will share it with you. We have shipped the first vials on Tylene, which are fully vertically integrated. That means it is developed from us, it is manufactured on mAbxience, it is commercialized by us. And that is very important because the competition at biosimilars is also pretty intense. So we believe you need to be highly cost competitive and you need to be fast in your time to market to skim the market if you so wish.

David Adlington:

Perfect. And then just returning that to Otulfi, so biosimilar Stelara, launched earlier this year. How are you feeling about the peak sales opportunity for Stelara is about four times that of Actemra. How are you thinking about the opportunity of Otulfi versus Tylene and how do the market dynamics differ?

Michael Sen:

Yes, I think, and we will have a session in December on biosimilars, and Nick and I, we keep re-emphasizing this is not a capital market day. This is a tutorial, this is a meet the management. This is a tutorial. This is more to give you exactly to your question to add more color that actually we need to go molecule by molecule, therapeutic area by therapeutic area.

Yes, it is quadruple the size of Tylene, but it's also quadruple the size of competitors. And that is a function in itself because the market is as big so attractive, so there are more competitors in there.

But we also learned you need to go different, what I always call, multi-channel strategies. You need to have an attractive target profile, which we have. For example, we have interchangeability on that one, on the TPP. And you can go different routes. That's why we have the unbranded kind of thing with Civica, which is a special, I would say this is an exclusive distribution agreement. And if we do good on that one, maybe they will contract with us for other molecules. And this is I think where the rubber hits the road. Do you contract with the company which markets only one molecule or produces only one molecule, or can we get into some customer relationship if we do our job that they're as satisfied that they can cater with other molecules as well? So Otulfi will be obviously higher and higher competition, but the market is also higher. So in absolute value there is market and opportunities to be captured which then drives profitability.

David Adlington:

Perfect. And then just onto Civica, you mentioned on [inaudible 00:41:08], and you mentioned it on the Q2 call as well. Maybe you could just flesh out what sort of reach Civica has in terms of maybe patient lives covered and the deal that you did with them on Otulfi. I think it's exclusive just to them, right?

Michael Sen:

Yes. Yes. It is. It is. Well, I think they have 100 million lives covered. That's why it's a big thing. And that's why I call it's a special distribution agreement which we have with them. And Civica is beyond doubt a huge player. And again, if we do our homework, if we cater, more will follow, and we are exactly working on that one. So a hundred million lives.

David Adlington:

Perfect. That's useful. And in terms of obviously they are negotiating a price with you on that product, how was the pricing relative to your expectations? And actually have you disclosed how long that relationship is initially for?

Michael Sen:

No, we didn't disclose that one. But see, at the end of the day, this is a mix of many elements, and we can debate about which pricing are we talking about, right?

For example, there was a reason why we contracted with EVO unbranded Adalimumab-aacf and didn't go with our brand Idacio on the formularies of big PBMs, which has the high WAC. So the channel fees which you pay on that one are pretty high. And that's why we contracted immediately or directly with payers, which if you compare the top price, it is obviously a lower one, but I would argue whether the net price is actually tremendously lower.

So this market, especially in the US, is very dynamic and it's true, it's cost competitive, it is highly competitive, so prices will be on the pressure there. But the question which margin do we bring home is then a question also of what do we do on the cost side? How cost competitive are we? And that's why our main goal going forward is to have that one manufacturing platform from a time to market point of view, but also from a cost competitive point of view with mAbxience.

David Adlington:

Perfect. I'm slightly wary of time here, so why don't we shift gears and move on to Helios. So again, let's do big picture first. Maybe you could just talk to the synergies of owning both a German and a Spanish hospital business.

Michael Sen:

Yeah. I would say that this is a different, it's not an industrial business, so there's no product going from left to right and from one country to the other so that you have synergies in go to market.

So for capital markets, for other stakeholders, I'm talking maybe a little differently because they're us, I would say, yeah, maybe even synergies or complementary topics. But for capital markets, I will not over emphasize this, but obviously we can learn a lot from one another. Spain is really, really leading the way in digitization, now also on AI, and what you can do to improve your processes. And I'm not talking only about efficiency, I'm also talking about the way you treat patients, for example, oncology care, to get to better clinical outcome, higher throughput at lower costs.

By the way, there's also some little synergy between the biosimilar business and for example, Quirónsalud, because in biosimilars, when you talk about time to market, clinical studies are of the essence. And if you have your own net-

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Michael Sen:

... [inaudible 00:45:01] are of the essence, and if you have your own network, you can be faster on the clinical side, but it's nothing for capital market. So, these businesses are complementary and both of them are leading in the market and having a very stable earnings profile and cash flow profile on which we then built. And on top of it, Germany can even improve, let's say, their performance on where they stand. The other thing is on clinical pathways, you can exchange... Specific levels of data and clinical pathways can be interchanged because we are under one EU regulatory regime. Obviously there's still a

Spanish regime and a German regime under GDPR and so on so forth, but we are in the same continent under EU regulation. So, when you go one notch before you go into digital and everything and talk about data annotation, connotation and clinical pathways, this is where we see complementary stuff or commonalities between those two.

David Adlington:

Perfect. And then, I just want to dig a bit deep into Helios Germany, obviously this year you faced some margin headwinds of the energy support from last year rolled off. I think there are now a couple of tailwinds into 2026. Firstly, there's a 4 billion euro surcharge for the industry, and then secondly, some pretty healthy reimbursement for next year into the uplift. Maybe first on the surcharge, when are you expecting that to go live, and are there any administrative hurdles to pass in the German government?

Michael Sen:

Yes. It went through parliament in the 18th of September, and now it's in Castle Bellevue, with the president, and he has to sign it. He has not signed it yet, but I have no indication that he wouldn't sign it. Why wouldn't he? So, it passed all regulatory hurdles, as you said, it went through cabinet and then through parliament. So, we expect that to be effective in November. So, that will be for 12 months, so it'll be November/December this year, and then 10 months next year, so in October, next year it will end. It's roughly, rule of thumb, we'll give you more detail as we know more, but rule of thumb, 3% as a surcharge on revenue, and there is not a lot of costs going against it. So, you are right, this is some sort of a tailwind.

Obviously, I would not only look at the tailwinds, at the full year, we will tell you where you where Helios in total stands, what are all the moving parts? Now, we are shedding light on this incremental positive, which is good because it's happening, it's there, and this is how it's going to work. The surcharge for primarily publicly insured patients, which is roughly 90% of the Helios Germany patient population.

David Adlington:

Perfect. Awesome. And then-

Michael Sen:

Sorry, maybe the next thing. On the inflator, I need to caution you a little bit. There was this 5.1%, that is not the DRG inflator, that is... The DRG inflator will come in the next, I don't know what, one to two months, and then it still is on a very state level, again, renegotiate. So, let's say that there are two reference points to that, the top end reference point is the 5.1, and then they will look at the inflation rate, which is not disclosed yet, which will be, I don't know, three point something, and then between that three point something and the 5.1, in between there will be the DRG inflator, and then it can vary between Bavaria, and Hesse, and North Rhine-Westphalia, and so on and so forth. But all in all, there will be I would say probably a decent DRG inflator. But the 5.1 is not the DRG inflator.

David Adlington:

Understood, that's good clarification. But a combination of that surcharge and say four point something percent DRG inflator, together, that's going to be sort of six, 7% tailwind on your top line, like you said, not a lot of costs associated with it. We should be basically seeing some margin expansion in Germany next year, just a result of those two things, surely.

Michael Sen:

Yeah, yeah, that's why I said these two are incremental positives, we will update you, there will be some elements on the cost side, that's why the inflation is there, the inflation goes against it. This was the delta between the three point something and whatever the DRG inflator is, the delta is on that one. Then there is maybe an effect on the hybrid DRG, which is brackets negative, because it brings down the average. And then, of course, we have our improvement program also going against it. So, for next year we can say there will be some incremental positive, but as to what extent that is, don't add up only the positive things.

David Adlington:

Yeah, understood. Perfect. And then, maybe just to wrap up on Helios, Spain's obviously continued to do pretty well, healthy market, anything there maybe you're thinking about growth and also on the reimbursement side?

Michael Sen:

No, I think Spain continues to be a really nice asset, as I said, really front running on digitization on Ai. On AI, we keep coming up with new, in the old days would've said application, now even agents, for example, now on clinical pathways, and... No, Spain, I'm actually rather curious to see how that budget is for next year. But no, it continues to be a joy and a market leading topic, with a lot of innovative power behind that. That being said, remember Q3 because it is driven by Spain, in August, nobody goes into a hospital, so now we have the August number, we have the September number, Q3 will be seasonal. David, if you allow me, I would anyways qualify a little bit Q3, because we have been saying Q3, Q4. We raised the revenue in Q2, but you guys have been asking us why are you not touching the earnings outlook?

Because there were a lot of moving parts. At the beginning of the year there was still the tariff was not known, the tariff impact we believe we can absorb, but there is some impact, because everything which comes from Europe is the 15%, everything which comes from China even has more. Even though the exposure is limited, all in all 10% on the overall revenue of the group, if we look at the US... Then the Keto effect, the Keto effect, don't forget the Keto effect in Q2, there was still in the first couple of months and first couple of weeks there was some Keto sales. So, Q3 is the first quarter where there will be no keto effect. So, Q3, Q4 will be no keto effect. And then the energy relief, which is roughly 40, 45 million in Q3, last year in, this year not in. By the same token, what goes against it is the incremental sales of biopharma, and there I'm looking at a quarter to quarter improvement.

Quarter three should be better than quarter two, we have a lot on our plate, or they had a lot on our plate, to drive the revenue up in quarter three, as I see it, it looks good, but Kabi has had a very strong margin in Q1, has had a strong margin in Q2, but if you then do the math, we said it's going to get... How should I say it? They will work very hard, very hard, or have worked because September is done, to get to, let's say, a slight incremental margin improvement via next year. And this is exactly what we had in our plans. Keto, full effect, Q3, versus the incremental growth we get, for example, from biosimilars, which we seem to be have gotten and so on and so forth. Helios, the same thing. We said the cost savings of 100 million will be more pronounced to Q4, so I do expect an incremental margin, better margin than Q2, but they still have had the 40% energy relief, and Helios as a segment, as the Q3. So, I gave you some topics to model in Q3.

David Adlington:

Perfect. Awesome. And then, final one from my side, before we just open up the lines to finish off, your debt levels have come down quite nicely from the peak, how should we be thinking about your capital allocation from here?

Michael Sen:

Well, it has been, we'll see Q3, as I said, if the earnings are weaker than the cash flow to the constant cash conversion rate will also be so Q4, it'll be more predicated in Q4 getting the cash in. Q2 was a little different because the dividend payout, but that level is very important to us. The two and a half to three is a new, completely new target corridor, the other one was three to three and a half, which the company did not achieve in seven years. So, we went into that one and that shows you what I said, the three-year journey, which began three years ago, focus on returns, focus on cash flow. Now, obviously we focus now also on growth and innovation to drive productivity next to the structural cost savings, and then get the cash flow in. So, two and a half to three, we will be there, and next year we'll update you where we are. But it shows that we can deliver out of our own means, and on top of that still have the monetary item of FMC.

David Adlington:

Perfect. Great. Operator, can we open up to the lines there, please? Whilst waiting for those questions to come in, I've got some that are come in on email. So, first one is, "Could you ask Michael on nutrition in the second half, the guidance implies a large step up in underlying what's going to drive that."

Michael Sen:

Yeah, what I said, some new formularies are coming in, and Q3 for nutrition, you can backward calculate it. In nutrition, by the way, Keto is in nutrition. So, Keto is having the full effect in Q3 in nutrition, and then they have some new formulas, but what the net net position is we will see, as we don't break out the nutrition margin as such, you will probably have an effect on the Keto, but the growth should be okay. So, we said four to 6% growth, this is also what I expect.

David Adlington:

Perfect. And then, inevitably one on your Fresenius medical stake, I think the first one, I know that you probably won't answer, but I'll try anyway, "Could you expand on your plans for your stake in Fresenius Medical?" And there's a second one here as well is, "You've indicated you could go down to 25% plus one vote in the nearer term, what is the significance of that level of ownership?"

Michael Sen:

Well, the significance of that level is that then you still have some rights, governance rights, that is the one thing. But I think the whole Fresenius Medical care holding, deliberately calling it holding, which already is an indication, needs to be seen in the evolution of things. A couple of years back it was fully consolidated, and I would say convoluted somehow into our structure. Then we made the deconsolidation, which was quite an effort, because one and a half years, especially EGM. Not even a year later, we already went down by roughly a billion, which brings us to 20, 28%. Now, as they do their share buy back and then redeem the shares, we will obviously go in lockstep and thereby again also get rid of shares. And then, there's still some leeway to 25 plus one.

So, what I'm trying to say is, we are focusing on our core business, and doing the needful, but we didn't use it in those days just to deliver, because there is still an argument to be made and that cannot be made forever, but there's an argument to be made that is there value creation in medical care, and we believe

there is value creation. Obviously I will not comment on the business, this is what their management does, but they are exactly referring to that one. I know that there are structural, let's say, challenges, which one of your colleague issued in one of the reports the other day, and we know that they're there, that's why we did the whole thing. But there is value creation upside also to be looked at, and then we'll do the needful. But it is a holding, it's not core.

David Adlington:

Perfect. Right, that takes us to just beyond the top of the hour. Michael, thank you very much for joining us today, really appreciate your insights. Very useful call I think for everybody involved. And thanks everybody for joining today.

Michael Sen:

Thank you, David.

David Adlington:

David, bye-bye now. Thanks everybody. [inaudible 00:59:39].

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