

Transcript Conference Call Q1 2019 results

May 2, 2019

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

Michael Jüngling, Morgan Stanley
Veronika Dubajova, Goldman Sachs
Thomas M. Jones, Berenberg
Patrick Wood, Bank of America Merrill Lynch
Julien Dormois, Exane BNP Paribas
Ed Ridley-Day, Redburn
James Vane-Tempest, Jefferies
Hans Boström, Credit Suisse

PRESENTATION

Markus Georgi: Good morning to everyone joining us on the line today. I'm joined on the call today by Stephan and Rachel. We will start the call with some prepared remarks and then proceed to Q&A. As always, before we begin, I would like to remind you that forward-looking statements and the disclaimer on Page 2 of today's presentation. With that, I will pass the call to Stephan. The floor is yours, Stephan.

Stephan Sturm: Thank you, Markus. Good afternoon and good morning, a warm welcome. Thank you for joining us. 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 our Q1 highlights. We had a solid start into the year. We were satisfied with the organic growth across our 4 business segments and group net income, currency adjusted, at last year's level. So, we are in line with our full year guidance already now. Frankly, we hadn't expected that. To some extent, that was supported by a few agreements at Fresenius Medical Care materializing a bit earlier than originally anticipated. But more importantly, we're pleased with the underlying operating development and with the progress in our various investment initiatives to secure long-term sustainable growth. As discussed in December last year and in February, 2019 is an investment year for our company.

A word on Kabi, despite a tough-to-beat Q1 2018 base, we saw continued healthy growth, driven by an outstanding development in the emerging markets. I think this is a prime example of how organic investments are delivering attractive returns at well

manageable risk. Over the last years, we have consistently invested in our emerging markets presence, including local manufacturing facilities, meaningful amounts, but somewhat below the radar screen. And now we're reaping the benefits.

Over to Helios Germany, which has stabilized in Q1, and we have continued to invest into CapEx and OpEx to mitigate the effects of regulatory changes, both current and expected, actually, in many instances to take advantage of them. As I said as part of our full year call in February, unfortunately, those initiatives weigh on our profitability in the short term, but will support and drive solid profitability in the next decade. Helios Spain, which continues to shine with consistent dynamic growth, largely driven by our business with privately insured patients. And even though our Q1 performance was supported by Easter being a Q2 event this year, I can only applaud Helios Spain for their excellent operational execution. More financial details later from Rachel.

At Vamed, I am pleased to see that the integration of the post-acute care business from Helios is running smoothly and very much in line with our expectations. That underlines our strategic efforts to further foster intragroup coordination and collaboration.

A few observations on Fresenius Medical Care, where I'm glad the commercial mix has continued to move in the right direction. The NxStage acquisition is closed, and we are excited to welcome our new colleagues to Fresenius. NxStage will help us benefit from the growing trend towards home-based therapies. And so we can provide access to superior patient care and outcomes in a lower-cost home setting. We are fully backing that strategy which is good for patients, the healthcare systems, and for us. Another Q1 highlight is FMC resolving the FCPA matter with the US DOJ and the SEC. The settlement resulted in an unfortunate disgorgement and a fine, which we had accrued for, but also in a nonprosecution agreement with the government. So I'm glad FCPA is now behind us, which for the avoidance of doubt also means that we'll continue to vigorously promote a culture of ethical business behavior throughout the entire group. Rice and Mike will give you a more detailed update on FMC in their call later on.

Back to Fresenius Group, where on the back of solid Q1 financial results and with good prospects ahead, we are confirming our guidance for the full year, despite now absorbing the earnings dilutive effects of NxStage.

Onto Page 4 with an update on Kabi, starting with the injectables market in North America, where we have seen a 2% organic sales decline in Q1. Does that keep us awake at night? No, it doesn't. You will recall that Q1 last year was a record quarter for our US generics business. We delivered 10% organic growth at that time, which in turn now sets a very tough comp for this past quarter. The year-over-year sales decline is a volume-driven decrease, meaning that, in contrast to previous quarters, we have actually seen stable prices throughout our base product portfolio. Those of you who have been following us for some time know that we were always quite prudent when it comes to pricing. During periods of drug shortages, we have priced our products responsibly because we value long-term, sustainable customer relationships and obviously also because we think that this is also ethically the right thing to do. And now as shortage tailwinds have eased a little, we've seen some volume contraction, but we've kept our pricing stable. Our analysis suggests that much of the volume shortfall has been driven by destocking in the channel. So as hospitals and wholesalers have seen certain shortages easing, they have reduced safety stock levels, and this has impacted us in the first quarter. We will continue to watch the situation very closely, but at the moment, we are very satisfied with our market share.

You may have noted that, according to IQVIA, we passed Pfizer-Hospira in Q4 of last year to become the number 1 supplier of IV generics in our addressable US market based on unit volumes sold. Of course, every molecule has a unique story and a unique competitive situation, but we continue to believe that our broad portfolio and strong customer relationships, based on service excellence, put us in a great position also going

forward. If we detect that we are losing share to competitors, we will immediately respond with selective price movements. That would return us to the more usual pricing trends of low single-digit erosion in our base portfolio.

A little more color on shortages. At the face of it, the number of drugs on shortage has been fairly stable. At the end of Q1, 36 Kabi IV drugs were designated in shortage, almost unchanged from this 37 at the end of the year 2018. Underlying, though, we have seen some changes of our mix of sales of those products that are on shortage.

New drug launches: with 4 launches year-to-date, I'm happy to report that Kabi USA is well on track to launch 15 or more new products this year, well above our historic run rate of 6 to 10 per annum. So our R&D growth engine keeps on humming.

Taken all together, I generally don't like revenue decreases, but I can tolerate them when they're not surprising and when they are from a tough comp. We have no indication of any fundamental change in the North American market but will obviously continue to watch the competitive situation and pricing developments very closely. A somewhat fiercer competitive landscape, some further easing of drug shortages, as well as the tough 2019 base, they are all reflected in our full year guidance. And hence, we're comfortable sticking with that.

Onto biosimilars, where you will have seen that we have received the general approval from the EU Commission for our adalimumab biosimilar, which we will market under the brand name IDACIO. That is a bit earlier than originally expected. And the launch of IDACIO in the first European country is imminent. We will launch the product over time thereafter in the various other EU member states, pending the adoption from the respective national authorities, all that fully in line with our business plan. I want to remind you that individual European markets are structurally very heterogeneous. So we will diligently follow a customized market-by-market approach. We expect, as I said, first small sales in the second quarter with a bit of a ramp in the second half. The financial contribution of this new business this year is very limited in our minds, though. Regardless, 2019 will be a very important year for our biosimilars business, and our first market entries will provide us with real-life experience and important further insights to steer the business for the following years. Based on our settlement with AbbVie, we are in the position to commercialize adalimumab in all its indications in the United States from October 2023, of course, subject to marketing authorization by the FDA. And moreover, we can and may commercialize ada globally. Thus, we are currently investigating and preparing to enter markets outside Europe and the US. When it comes to pegfilgrastim, we're making progress in line with our expectations, and we're currently working on our filings for approval. And we're generally optimistic for these as we continue to experience an accommodating regulatory environment for biosimilars, which shouldn't be surprising, given the huge cost savings potential for healthcare systems around the world.

Over to another growth area, clinical nutrition, where in the first quarter, worldwide sales of parenteral nutrition grew very dynamically. The main growth drivers were our 3-chamber bags and our lipid emulsion portfolio. Especially in China, we have been successful with our 3-chamber bag Kabiven and the lipid emulsion Omegaven. Further growth contributors were the upswing of our US parenteral nutrition business and as well a good growth in various Latin American and European countries. In enteral nutrition, we have also seen very dynamic growth, which was driven by all subproduct groups. From a regional perspective, strong contributors were Latin America, followed by Europe. And the strong sales performance in LatAm is mainly driven by increased sales in tube feeds and services packages, whilst the development in Europe is mainly driven by increased demand in our sip feeds and oral nutritional supplements.

On TCT, our transfusion and cell therapy business, as I said in February, we're currently evaluating all options for that business. And we're very pleased that the business continues to deliver strong growth whilst we are making good progress with the carve-out process.

Onto Slide 5, with an update on Helios, and there starting with Helios Germany, we discussed the chief doctor vacancies already in February and last year. Over the course of Q1, we have focused more on internal than external solutions to the issue. That means we are filling many vacancies with our own senior doctors from other houses. This process will take a few more quarters and a few more until the new hires have properly established themselves.

From doctors to nurses, we always looked at a meaningful number of applications. However, we have seen a far too low conversion rate from applications to actual hires. So we have worked hard on streamlining and accelerating our recruiting process and have made good progress with the planned hiring of nursing staff. In the first quarter alone, approximately 600 additional nurses were contracted, a huge success that we're very pleased with. The recently negotiated collective labor agreements, they were in line with our expectations. We have agreed salary increases of 2.5% per annum with doctors' union Marburger Bund for the time period 2019 to '20. And for nurses, we agreed that salaries will rise by 3% from 1st of January 2019 and from 2020 onwards by a further 2.5% until, from the 1st of November 2020, a further 1% is going to kick in.

Let me also give you an update on our recently set-up new business unit focusing on internationally scalable business models, where we are driving forward initiatives focused on occupational medicine for employees and prevention programs. Furthermore, this includes bringing the learnings from our Spanish colleagues in occupational health to the German market. So what we want to do is to create a Helios checkup center basically in all German metropolitan areas. The opening in Berlin will be in summer of this year. And while we speak, we are already planning the next opening in Munich. And here, too, the aim is to set up independent centers throughout Germany as quickly as possible in order to be present in all major city centers. The new sales team is currently creating new service packages and standardizing processes. And within the next weeks, we will have a simplified online registration procedure for our customers and will be able to launch more aggressive sales and marketing activities with our new offers. We also want to go about offering nationwide occupational healthcare also throughout Germany. And following the acquisition of the Mitteldeutsche Institut für Arbeitsmedizin in Leipzig, the year 2019 will be marked by standardization. With currently 5 locations and 3 further locations under construction, we are establishing a consistent standard for the independent occupational medicine centers. No matter whether it is software, medical technology, room layout, equipment, processes, quality, or accounting, consistent standards in all these areas will enable us from 2020 to quickly establish a nationwide network of occupational medicine centers. Helios Occupational Medicine already now supports around 17,000 employees at our own clinics. A further 5,000 employees will be added in the second quarter, and we want more. Our offer is aimed at all companies in Germany with their 44 million employees. Our aim is to offer occupational medicine from Helios at a high standard across the board. For good order, the financial contributions from these initiatives are limited when it comes to 2019. I still wanted to alert you to them, given that we're convinced that these activities are the foundation for growth over the next decade.

Moving to Helios Spain, where the company has plenty of organic and inorganic growth opportunities and is leveraging those vigorously. As I said earlier, we have seen healthy growth in our hospitals, mainly driven by the private sector. And the ORP division also had a valuable contribution in this past Q1. Over and above healthy organic growth, we acquired 2 ORP companies, strengthening our network nicely with complementary service offerings. Occupational risk prevention is a growing business field for us. The company's network of roughly 300 ORP centers covers more than 5 million workers, making Helios Spain clearly the number 1 in a €1.3 billion market. The direct access to large Spanish

corporates and the roughly 2 million checkups per year offer great potential. Lastly, the acquisition of Clínica Medellín in Colombia closed on April 25th. The financial performance between signing and closing was according to plan, which we're very pleased about. The 200 beds hospital in Medellín generates sales of approximately €50 million, and we are convinced that Helios Spain can add value and know-how to their system. We view the acquisition as an excellent starting point to explore more opportunities in this region.

Summing up, I believe a solid start into our investment year 2019. The first successes of our started initiatives at Helios Germany, they underline that we are following the right strategic pathway, and they will contribute even more positively to our financial performance starting in the second half of this year.

With that, let me hand you over to Rachel. Thank you for now.

Rachel Empey: Thank you, Stephan. Good afternoon, good morning, or good evening, depending on your time zone, and a warm welcome to everyone. We're pleased with the first quarter, a solid start to the year.

As always, I would like to start by explaining how the results are shown throughout my presentation. We've adopted IFRS 16 from January 1st, 2019, but have not retrospectively adjusted prior periods. To give greater transparency and to provide comparable figures that represent the underlying operational development, we're showing main financial KPIs excluding those IFRS 16 effects. The effects from IFRS 16 are shown on Slide 7 and in detail on Slides 33 and 34. They are broadly in line with the expectations that we have given in previous financial reports, overall, for example, a net income effect of minus €8 million in the quarter and an increase in the overall balance sheet of €5.7 billion. As usual, our financials are before special items, namely transaction-related effects, in particular with respect to NxStage, revaluations of the biosimilars contingent liabilities, and expenses associated with the cost optimization program at FMC. To have a like-for-like comparison for guidance purposes, prior year figures are adjusted for the divestitures of Care Coordination activities at Fresenius Medical Care. Q1 figures include the operational results of NxStage, as Stephan said, now comparable with our guidance. A comprehensive overview of all special items and adjustments is provided within the reconciliation tables for the group and the business segments in the appendix of this presentation.

So let's switch to Page 7 and our key financials. Growth rates on this slide are on a constant currency basis. We delivered solid sales growth of 5% in Q1, nicely in line with our guidance range of 3% to 6%, with a good performance across the group.

EBIT showed 2% growth. That's a touch stronger than our original expectation. And I will elaborate on the reasons in a minute.

With €133 million, interest was 6% lower compared to the first quarter in 2018, and sequentially, it was broadly flat. This figure will obviously increase from Q2 onwards as the first quarter included only 1 month of the NxStage interest costs. Thus, based on current exchange rates and now including NxStage, we aim for a net interest between €560 million and €600 million for 2019.

And just to be clear, that expectation is excluding the IFRS 16 effects to provide a comparable basis to the 2018 figure. We expect that IFRS 16 will increase net interest by around €200 million on an annual basis, which you'll see in the reported numbers.

So the guidance relevant group tax rate before special items reached 23.4% in Q1 2019, up year-over-year following one-time effects in Q1 of 2018 related to the first-time adoption of the US tax reform. So for 2019, we are well in line with our expectation of a tax rate for the full year between 23% and 24%.

Moving onto net income, which is flat year-on-year in constant currency in the first quarter 2019, and hence, already in this quarter in line with our expectations for the full year as part of our overall investment year.

As I said in the full year call in February, we expected a rather softer Q1, given the tough comps at Helios Germany and the backend loaded phasing from Fresenius Medical Care. Thus, the net income development in Q1 is a bit stronger than originally anticipated, and we're obviously pleased with that. The main drivers for that strong development are agreements that materialized earlier than planned at Fresenius Medical Care and a very healthy EBIT development at Kabi. All in all, a rock solid Q1 performance across the board.

Page 8 illustrates the Q1/19 momentum at the 4 business segments. For ease of comparison to our individual outlook ranges, sales growth rates on the left are organic, and they are adjusted for the prior year divestiture of Care Coordination activities at Fresenius Medical Care. EBIT growth on the right is at constant currency and before special items. And all figures are including NxStage and adjusted for the IFRS 16 effects.

So starting with Kabi, the company showed solid 4% organic sales growth and strong EBIT growth. The very positive bottom-line development was mainly driven by an excellent growth in the emerging markets and supported by a solid EBIT performance in North America. And we'll get more details in the Kabi section later.

Helios, 4% organic sales growth. Spain continues to perform well with dynamic and consistent growth, while we see a stabilization at Helios Germany. Helios Group EBIT declined by 4%, already in Q1 within our guidance range. The year-on-year decline over a tough prior year quarter at Helios Germany was partially offset by, yet again, an excellence performance of Helios Spain.

Vamed had truly outstanding with growth rates, well above the guidance ranges. EBIT growth was obviously boosted by the shift of the post-acute care business from Fresenius Helios to Vamed. More details in the Vamed section later.

Turning to Page 9 for a review of Fresenius Kabi's organic sales growth by region, starting with North America. Here, we see a 2% decline, remembering that the prior year quarter was a truly tough comp with 10% organic growth. As Stephan said, we see some volume challenges possibly driven by destocking in the channel and some easing of shortage tailwinds.

Year-to-date, we've launched 4 drugs and are fully on track to achieve our expectation of 15 launches in 2019. Some increased competition as well as a further easing of drug shortages are baked into our full year expectation. Thus, we stick to our outlook of low to mid-single-digit organic sales growth for the full year 2019. In Europe, with organic growth of 3% in Q1, we're pleased with the performance of all our products across our portfolio. In particular, we saw, yet again, strong growth in enteral nutrition. As mentioned earlier by Stephan, our IDACIO launch in Europe is imminent. However, sales contributions from this launch will be rather backend loaded and remain very small in this year.

Taking all of that together, we feel comfortable to confirm our low to mid-single-digit organic growth outlook for Europe for the full year.

And continuing on emerging markets, which is now on Slide number 10, 13% organic growth. We're pleased to report a continuing excellent growth momentum in the emerging markets. China is still plowing ahead with 13% organic growth in Q1, fueled by even higher volume growth. We see also great momentum outside of China with Asia-Pac ex-China and Latin America and Africa growing organically with 8% and 18%,

respectively. Inflation-driven price increases had only a negligible contribution to top-line growth rates in the first quarter.

So on the back of the very strong financial performance in the first quarter, we feel comfortable to confirm the outlook of likely double-digit organic sales growth for the full year for the emerging markets.

So moving to Slide 11, here, we see Kabi's regional EBIT development. Total EBIT came in at €303 million in Q1, an increase of 7% at constant currency and slightly ahead of the guided outlook range of 3% to 6%. EBIT on the Kabi Group level saw a strong currency translation effect mainly from the US dollar, and that contributed an incremental 6 percentage points to reported growth.

If we take a more detailed look at the regions, we saw 3% growth in Q1 in North America, a solid financial performance. We're pleased with that considering a tough prior year comp. As Stephan said, growth is supported by the price stabilization in our portfolio. Overall, the EBIT development is in line with our earlier expectation.

Moving onto Europe, a good start to the year, yet again driven by a strong momentum in clinical nutrition. And in emerging markets, we saw an outstanding development in Q1 fueled by a broad-based strong growth.

Corporate and R&D costs were €133 million in the quarter. Despite relatively low biosimilars expenses in the quarter, overall corporate and R&D costs increased 4% year-on-year. As we said before, 2019 is an investment year. We're investing in the future and broadening our portfolio by adding more products in existing product categories and by bringing existing products into new geographies. Thus, we continue to expect an increase of R&D year-on-year excluding those biosimilar expenses.

So let's move onto Helios on Slide 12. Organic growth at Fresenius Helios was 4% in Q1, in line with our outlook of 2% to 5% growth for the full year.

Helios Germany stabilized in the quarter with 2% organic growth, bearing in mind, of course, that Q1 of 2018 was a tough comp. As Stephan said, we are making good progress with the preparatory structural activities, especially with the hiring of additional nurses. Thus, we continue to expect a slight improvement in growth in the second half year 2019 as the positive effects of the initiated measures will start to materialize. We had an admissions decline in Q1 of this year. That decline is partially driven by the transfer of the post-acute care business from Helios to Vamed. On top of that, we have seen a less pronounced flu season this year and fewer admissions in the intensive care unit, here with pressure on nursing levels still apparent in some hospitals in Q1. To be clear, though, nothing Helios specific; much rather industry-wide trends in Q1. The admissions decline was more than compensated by positive price effects as well as case mix effects.

So moving to Helios Spain, here, we've seen excellent organic sales growth of 9% in Q1. Clearly, Q1 has benefitted from a positive Easter effect, as in 2018, the important pre-Easter week fell in Q1. And as I said last year, the Easter effect is particularly pronounced in Spain, a bit like a short version of the typical slower summer months that we see in Q3. Hence, we are expecting a bit softer Q2 and Q3 in Spain this year.

Moving onto Slide number 13, where we can see an overview of the EBIT development at Fresenius Helios. Total EBIT came in at €266 million in Q1, a 4% decrease year-over-year, already in line with our full year expectations.

Overall, we can see a stabilization for Helios Germany. With €149 million, EBIT decreased by 16% in Q1. Adjusted for the transfer of the post-acute care business to Vamed, the decline was at 14%. And that decline is in line with what we've seen in Q4 of last year.

As I already stated, last year's first quarter was a tough comp, and we are making good progress with the preparatory structural activities. Hence, we expect a slight acceleration of growth in the second half of this year as the positive effects of the initiated measures materialize. With an EBIT margin of 10% in Q1, we've also seen a good margin stabilization.

Helios Spain showed yet again an excellent quarter. In Q1, Helios Spain increased EBIT by 16% to €119 million. Clearly, Easter had a positive effect on the EBIT line. And of course, EBIT growth in future quarters will also follow the seasonal effects in sales.

Moving onto Fresenius Vamed, which you'll find on Slide number 14, we are very pleased with Vamed's excellent Q1 2019 performance. Total sales came in at €440 million in Q1, an outstanding 77% year-over-year increase. If we strip out the acquired German post-acute care business, organic growth was still excellent with 31%. Both of Vamed's business lines performed very well, with the service business standing out. Whilst the project business increased sales by 17%, the service business showed an increase of 111% including and 41% excluding the acquired post-acute care business from Helios. A stronger collaboration between our business segments continues to contribute nicely to the sales growth in the service business. But of course, that will be consolidated out at the group level. And we expect a low triple-digit million euro incremental consolidation adjustment year-on-year for the 2019 full year as a result.

EBIT growth for Vamed was stellar in Q1 with 83%, obviously significantly positively affected by the acquired post-acute care business. Excluding this acquisition, however, EBIT growth was still very healthy with 17%. The yet again excellent and geographically well-diversified order intake in the first quarter has taken Vamed's order backlog to a new all-time-high, a strong foundation for future growth.

So let's move onto cash. We find cash flow on Slide number 15. We saw a rather soft Q1, €118 million operating cash flow for the group. With a significant working capital build in Q1, we expect a meaningful acceleration of cash flow generation during the year. As in the previous years, in Q1, there were significant effects from the seasonality in invoicing at Fresenius Medical Care, where we will see as usual the corresponding catchup in the coming quarters. Kabi posted a Q1 cash flow of €132 million, top left. The Q1 margin of 7.8% took the last 12 months margin to 14.2%. The cash flow in Q1 was negatively influenced by working capital after a particularly strong Q4 cash flow. For example, we have seen some phasing of payments and some stock build for Brexit in Q1. We will definitely see an acceleration as we move through the year. At Helios, we also see some phasing of working capital items in both Germany and Spain, here mainly receivables. And we also expect an improvement later in the year at Helios. So for the group, the Q1 performance took the last 12 months margin to 10.7%. If you deduct group CapEx of 6.3% in the middle column, you'll arrive at a free cash flow last 12 months margin, bottom-right, of 4.4%.

We finished Q1 at 2.83x net debt to EBITDA as a ratio, excluding the NxStage acquisition and excluding IFRS 16. And that is in line with our expectation. Including the acquisition of NxStage, we ended the quarter at 3.09x net debt to EBITDA. For 2019, we now expect the leverage ratio to be towards the upper end of our self-imposed target corridor of 2.5x to 3x net debt to EBITDA, of course, here including the acquisition of NxStage and adjusted for IFRS 16.

With that, let's turn to the 2019 outlook by business segment, which you'll find on Slide number 16, starting with Kabi. We confirm our outlook range of 3% to 6% organic sales growth. That's the blend of the regional contributions I mentioned, low to mid-single digits for Europe, likely double digits for emerging markets, coupled with low to mid-single digits for North America. Onto EBIT, where on the back of a strong Q1, we also confirm our outlook range of 3% to 6% growth.

For Helios, in terms of organic sales growth, on the back of 4% growth in the first quarter, we feel confident to confirm the outlook range of 2% to 5% for the full year. Now for EBIT, we saw minus 4% in Q1. And on the back of that, we confirm our outlook range of minus 5% to minus 2% growth for the year. For both sales and EBIT, we expect growth rates to improve in the second half year and for Easter to impact Q2 in both Germany and in Spain.

Moving onto Vamed, the company's well-diversified order book as well as a good first quarter gives us confidence to confirm the outlook of around 10% organic sales growth and 15% to 20% EBIT growth.

And if we take all of that together for the group, and let's move onto Slide 17, now as a reminder this is now including the absorption of the earnings dilutive effect of NxStage. So starting with sales, 5% sales growth year-to-date, we feel comfortable to confirm our guidance range of 3% to 6% constant currency growth for the full year. And moving to net income, on the back of the solid start to the year, we are still projecting earnings growth of around 0%. And as I said in February, we continue to hope to be more on the positive side of that 0% growth expectation. We also continue to expect to see a softer Q2 this year, with an acceleration of growth in the second half of the year. Finally, to the currency translation effect, if current exchange rates prevailed until the end of the year, we would see a tailwind of around 2 to 3 percentage points, mainly from the US dollar, for both sales and net income.

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

Q&A Session

Michael Jüngling: Great. And thank you for taking my questions. I have 3, please, 2 on Kabi, 1 on Helios Germany. On Kabi, for USA, rather than commenting on the number of launches for this year of 15, can you perhaps comment on what the revenue opportunity compares like to the products that you had launched in 2018? I think, from IMS, there were around 4.

Secondly, also on Kabi, I would kindly like to know why you appear to be so relaxed around the negative volume growth development because, if I look at IMS, really, since about October or -- of 2017, we've seen a continuous deceleration in volume growth. And is volume growth not the lead indicator of the future success of Kabi?

And question number 3 is on Helios Germany. Can you comment on whether it is -- of the €149 million that you reported in EBIT for the quarter, is that a fully clean number, or does it contain some restructuring or reorganization charges in that quarter? Thank you.

Stephan Sturm: Michael, it's Stephan. Thank you for your questions. As to the new launches, I was referring to the underlying business volume as per IQVIA as part of the full year call. If I recall correctly, what I was saying at the time was \$2 billion. I was also referring that the underlying business is larger than 2018. I have no reason to change those statements today.

Volume growth, I wouldn't say that we are relaxed. Otherwise, we wouldn't have spent as much time to explain our thinking to you. On the other hand, I was saying this is not something that keeps us awake at night. There is very little that I can share with you over and above my prepared remarks. I want to refer to a normalization of shortage situations. I want to refer to what our analysis shows is meaningful destocking. I want to refer to market-wide decrease in the use of opioids. I want to refer to a flu season that has been less pronounced. We made that comment as far as Helios in Germany is

concerned. I can also make that comment to the North American market. All of those factors have contributed, and as I said and as Rachel reiterated, all those factors are reflected in the guidance that we've given. As far as Helios Germany is concerned, the €149 million is a clean number.

Rachel Empey: To add to Stephan's comment, of course, Michael, you know that we have some incremental costs associated with the activities we're driving, the measures that we're driving to prepare ourselves for the new legislation. But I wouldn't characterize those as somehow a restructuring cost per se, but more just an incremental cost burden as we go through the transition process.

Michael Jüngling: Thank you. And briefly, on Kabi then, for the remainder of the year, is it -- does it make sense to model that you will have negative volume growth also for the next 9 months or 3 quarters?

Stephan Sturm: Michael, I will have to put that responsibility back to you. I want to be held responsible to the guidance that we've given overall. We consciously were talking about our observation of destocking, and that would have to come at an end at that point. But over and above that, I really would like to stick to overall revenue guidance.

Michael Jüngling: Great. Thank you kindly.

Stephan Sturm: Thank you, Michael.

Veronika Dubajova: Good afternoon, and thank you for taking my questions. If I can please start with a follow up on the Kabi North America question as well and just understanding a little bit, Stephan, your thoughts on the intensity of the competitive environment and how you think about the pricing decreases or the risk of pricing decreases accelerating from current levels or rather remaining where they are as you see Hospira return to market. And then I have a follow up after that.

Stephan Sturm: Veronika, in my prepared remarks, I was trying to convey the message that, over the past quarters and years, we have seen very little fluctuation from a fairly constant price erosion in the low single digits. If I look at IQVIA data, that is an observation that I would also subscribe to for Q1. As far as Fresenius Kabi is concerned, as I said, we have consciously gone about price stability and have taken into account, not that we like it, but we have taken -- we have accepted -- let's put it that way -- a bit of a volume loss. And my comments were meant to say, if we observe a more market-market share loss, then we are prepared to selectively, decisively also return to that low single-digit price erosion that we had seen all along. Is that clear?

Veronika Dubajova: Yes, that's clear. I guess what I'm trying to gauge a little bit here is your willingness to trade price for volume and vice versa in a more competitive environment and I guess whether what you're seeing in the market today in any way impacts your view of the medium-term margin potential.

Stephan Sturm: I think Q1 is just testament to our willingness to trade margin for volume, not structurally, but temporarily at least. If our assumption is correct that this has been largely destocking, then we should be rewarded for having kept prices stable. If that assumption proved too optimistic, then as I said, we are very much willing to protect our overall market position and market share.

Veronika Dubajova: That's very clear. And then if I can just -- a brief -- well, not a follow up, but my second question is your view or expectations for when we get more details around the DRG reform heading into next year. And I think one of your smaller peers has made some comments or suggestions that maybe the reform is progressing at a slower pace than previously anticipated. So to what extent do you share this view as you look out to what happens heading into 2020?

Stephan Sturm: I would expect that there will be further fine-tuning, but it -- to what is on the table already. I have no particular view as to the timing of it. We are working with what we do know right now with a few sensitivities surrounded. I have no particular information about a slowdown of this process. I also have no information about any next reform steps after the one that are broadly in the marketplace already now.

Veronika Dubajova: That's great. Thank you very much.

Stephan Sturm: Thank you.

Tom Jones: Good afternoon and thanks for taking my questions. I have 2. The first one, I just wondered if you could help me really. I'm trying to understand the relationship in Q1 between revenue growth and profitability. You saw the tips in organic decline in revenue, but certainly versus my expectations at least and I suspect many others, the profitability was very, very good indeed.

So what I'm trying to understand really, is that coming from a mix effect, or is there some underlying cost issue that we should -- or cost improvement that we should really be factoring in, or was there some lumpy high-margin one-off income that helped the profitability in Q1? So really, I'm just trying to understand the interplay between revenue growth and profitability growth in Kabi North America, perhaps how that might develop as we move through the year.

And then my second question is really a big picture one about the ORP business in Germany. How should we be thinking about this business? Is it something that can make a meaningful revenue and EBIT contribution on its own 2 feet, or should we be thinking of this as more of a kind of business that can help drive volumes into the other parts of your -- of Helios in Germany?

And maybe also in answering that question, you can make some reference to the old Helios Plus program and kind of what you learned from that and what worked and what didn't and what you might take forward and what you might not.

Stephan Sturm: Tom, I'm going to cover the Helios bit, and Rachel is going to help you with the Kabi margin.

Rachel Empey: Hi, Tom. Thanks for the question. I think you referred to some relevant points in putting the question itself when talking about the relationship between revenue growth and profitability growth in Kabi North America. You know very much that we've mentioned in previous quarters that there can be some phasing effects and mix effects between the quarters. We saw that markedly in the middle part of last year. And I would always counsel you that the timing of shipments and the mix of those shipments can affect and does affect and has affected what we've seen in this quarter as in previous quarters. Of course, the price stability that Stephan referred to directly flows through in terms of giving you a margin position that helps support driving the EBIT. And that is clearly the biggest topic that we see in the Q1 profitability. But having mentioned those mix and phasing effects, I would counsel you that you shouldn't assume that the margin we've seen in Q1 is the one that you should see throughout this year. If you look back to last year, we saw quite some variability in margin. And you should anticipate continuing to see some variability of margin throughout 2019 as well.

Tom Jones: Perfect.

Stephan Sturm: Tom, the background to us going about ORP in Germany is obviously the lesson that we continued to learn in our Spanish business. And when you asked about magnitude, I want to remind you that the ORP business with Quirónsalud stands for about a 10% revenue contribution. So this is from our perspective a very meaningful, very nice, well into the triple digits revenue business. It comes at a below-average

margin. But it at the same time comes at a well below invested capital. So from our perspective, that is a very nice ROIC opportunity.

The difference here is that Spanish employers are mandatorily obliged to send their employees to a checkup in a 2- to 3-year timeframe. That is not as strictly the case here in Germany. But we would not be surprised at all. As a matter of fact, we're working on the assumption that something like this is going to come our way over the course of the next decade. And we're preparing ourselves for such an opportunity now.

You are rightly so making reference to Helios Plus, where we were trying to get or where we continue to try I should say to get into business with employers. My past -- use of the past tense is an indication that earlier expectations that we had in timing context with closing the Rhoen acquisition have not been met first and foremost because of a regulatory change, whereas corporate expenses for those checkups weren't tax deductible. And therefore, original expectations were proved to be too ambitious. But going forward, we would very much expect that this is a growth opportunity. Again, I have deliberately cautioned any overshooting optimism. There's next to nothing in our budget in our forecast for 2019. But I would work on the assumption that there is going to be a bit of a ramp in '20 and beyond.

Tom Jones: Perfect. And then if I may, just one real quick follow-up question to help us. Those Colombian hospital revenues, are you going to create a separate reporting line for those, or are you going to lump them in with Helios Spain?

Rachel Empey: Tom, given that we only have 2 hospitals at the moment in Latin America, you will continue to see the Clínica Medellín reported within Quirónsalud, as we have done with the Peruvian hospital. Clearly, for competitive reasons, they are also small. That is more appropriate from our perspective.

Tom Jones: Perfect. That just helps us model. Thanks very much.

Patrick Wood: Perfect. Thank you very much. Just the 1 from me at the moment. On Helios within Spain and Quirónsalud in general, I'm just curious if the political situation there and how things have evolved over time, what your view is of how that may or indeed may not impact you within that region. Just trying to get a sense for how we should be thinking about things there. Thank you.

Stephan Sturm: Patrick, we, as you would expect, have taken a keen interest in the outcome of the federal election. But what is -- and that is consistent with what we have said all along -- is much more relevant for us is the outcome of the imminent regional election in the Madrid region. And there, as a read through from the federal election, the political situation would be largely unchanged relative from the last election. What I'm saying is, if voters in the Madrid region voted as they voted in the federal election, the outcome would be pretty much the same. And therefore, in general, we are working on the assumption that the outcome of neither the federal nor the regional election has a significant effect on our business.

Patrick Wood: So just for clarity, that's the assumption that exists in guidance currently, right?

Stephan Sturm: Yes.

Patrick Wood: Super. Thank you very much.

Stephan Sturm: Thank you.

Julien Dormois: Hi, good afternoon, Stephan. Good afternoon, Rachel. Thanks for taking my questions. I have 3. The first one is actually a follow up on Tom's questions regarding the margin at Kabi, but maybe through a slightly different angle. Would you be so kind as to provide guidance for the EBIT evolution of Kabi in the US for the full year? Should we think about it as being broadly in line with the sales guidance? Is that fair?

Second question relates to the clinical nutrition business in the US. I think you have indicated that you had a pretty good performance there in Q1. I was just wondering if you could help us understand how meaningful it is to your overall nutrition business at the moment and whether you think that is sustainable in light of the current issues at Baxter in terms of supplying the market.

And the last question relates to Helios in Spain. I know it's very tricky for you to predict what's going to be the impact of Easter in Q2. But rather than this, would you think that the sales and EBIT performance that we had in H1 of last year would be somewhat similar to what we should expect in H1 of this year to offset the impact of Easter?

Stephan Sturm: Julien, Rachel's going to help you with the Kabi margin and with Easter in Spain. I'll do then the clinical nutrition in the US.

Rachel Empey: So, Julien, thank you for the questions. Let's start with Kabi in North America. Clearly, we've given you, let's say, a perspective or an expectation for revenue. And I did make some commentary around the potential EBIT evolution in Kabi North America on the February results. And based on what we've seen so far this year, I have no reason to change that commentary. And that commentary was, in relation to the full year for 2019, we would expect the EBIT evolution to be somewhat similar to that of sales, but potentially slightly softer, so indicating something that is in the general direction of what we are anticipating for sales growth. But clearly, I'm not going to give you a concrete and detailed guidance on that, but that at least you can use as an indication.

Your question on Helios Spain, just remind me, was in relation to margin evolution or relation into overall growth?

Julien Dormois: Let's say -- I would say both. You had like 5% or 6% growth on the top line in H1 of last year, so wondering if this is something we can apply to H1 this year. And same thing for margin. Should we expect a flat margin year-on-year?

Rachel Empey: Yes, so I think, overall, firstly, of course, Easter has to occur at some point every year. And it is always a game of swings and roundabouts from my perspective between Q1 and Q2. And you know the operating leverage effect that that top line evolution driven by Easter can have on the bottom line.

I would say, indicatively, your assumption is not wrong that you should see some kind of, let's say, compensating effect in Q2 from the particularly strong performance we've seen in Q1 this year. So your assumptions in terms of using half 1 as a basis from last year for this year is not guiding you in completely the wrong direction. I think that's fair.

Julien Dormois: Okay. Thank you very much.

Stephan Sturm: And, Julien, without overpromising, I still want to make reference to the fact that, also, the summer effect last year in Spain was less pronounced than in the summer of '17. So you should work on the assumption that we have a bit of an ambition to make these effects a bit less pronounced and take out some volatility.

As far as clinical nutrition in the US is concerned, I want to remind everyone that, here, we're talking exclusively about parenteral rather than enteral nutrition. We have been talking about this sub-business for about 10 years. We continue to be delayed relative to

the very early original expectations that came out on the heels of the APP acquisition. Our approval studies have taken longer than originally expected. But -- and we are still working pretty much with European formulations that do not fit most of the US clinical requirements. So in that regard, we are somewhat handicapped, and we're working to overcome these constraints by having additional formulations that are more tailor made in front of the FDA.

So I'm saying this to make it clear that we're still talking about a fairly little revenue base that is still falling short of the original expectations that explains the growth rates that we're showing. And I would say, for a little while, I would be comfortable continuing to project such growth rates until we get into more meaningful revenue spheres.

Julien Dormois: Okay. Thank you very much.

Stephan Sturm: Thanks, Julien.

Gunnar Romer: Thanks for taking my questions, 2 remaining. First one would be on the 2 smaller businesses within Kabi, so infusion therapy and the medical devices business. I think you've seen a nice pickup of growth. Clearly, some of that has to do with the comps here as well. Just wondering whether you can help us with an outlook for these 2 business lines. Would you see sustainable acceleration for the 2 business lines going forward?

And then second question on Helios Germany, regarding admission growth, it's been negative again, obviously, not a big surprise. Just curious how we should think about admission growth from here, whether you would expect that to be back in positive territory as of the second half. And what are the main hurdles to get back to positive growth? Is it just the base effect that you have to overcome, or is it still nurses and doctors shortages that play a role here as well? Thank you.

Stephan Sturm: Hey, Gunnar, your farewell questions. And Rachel's going to help you with Kabi. I'm going to help you with Helios Germany as much as we can.

Rachel Empey: Gunnar, thanks for the question on Kabi in relation to infusion therapies and medical devices. Let's start with medical devices. You know, within this product line, there are effectively the 2 businesses, the transfusion technology that Stephan has been talking about, where we are evaluating that overall business, and also then the core of the remaining medical devices business.

You're absolutely right in saying we had a particularly pleasing quarter in Q1 for these businesses with around 12 percentage points of growth year-on-year. Both businesses are driven quite often insignificantly by tender processes, which means you will have seen also from previous quarters it is not unusual for us to see quite lumpy growth. And we were lucky enough to see some benefits of some significant and important tenders within the first quarter, which helped us to drive that nice 12% of growth. Both businesses were showing good growth within that 12%. So it wasn't driven by one individual project or one individual product line. It was also coming from a number of tenders on a global basis, so across our geographical footprint. That said, you shouldn't project such a strong percentage growth in every quarter. Unfortunately, we don't anticipate winning such tenders at every quarter. But nevertheless, we do see from both businesses good growth opportunities on a sustainable basis, but at a lower level than what we've seen in Q1.

In infusion therapies, we've also seen some somewhat bumpier growth figures over the quarters. You know that that has particularly been influenced by some shortages in the US, where we have taken some benefits also throughout 2018. We are seeing somewhat more of a normalized basis I would say now. And we do see that infusion therapy, again, across our footprint can continue to drive some good and some meaningful growth. But I

would say that Q1 is at a more normalized level than we've seen in some of the quarters in the previous year.

Stephan Sturm: Gunnar, we are now in the third -- second quarter actually after a nasty surprise in Q3 of last year. So I'm hoping for your sympathy that we want to make cautious progress, and we also want to very cautiously manage expectations here. So I won't be too definitive. What is a fact is that the base in the second half is going to be less demanding. That is going to help us in terms of admissions growth. What is a fact is that we have identified a number of hospital-specific growth initiatives, which have to do with investments into particular indications with hiring of new doctors, filling vacancies, and so on. I will tell you that many of these defined growth initiatives have not materialized to the expected degree yet.

And so I'm saying that because I am cautiously optimistic, given that we have revalidated them, that there is some more catchup growth potential over the course of the coming quarters. At the same time, the base hospital portfolio in the absence of these growth -- defined growth initiatives has performed reasonably well, and that also gives me some comfort that we can truly talk about a stabilization.

What is -- what continues to hold us back is select shortages of doctors, select shortages of nurses, not across the board, but as I said, in select areas, like ICUs or neonatology. And so I want to reiterate the observation that I had at the end of Q3 and also at the end of Q4 - we're not suffering from a shortage of patients by and large. Patients are very happy to be treated at Helios. In too many instances, we need to send them away. And that is something that we're very actively working on, hence my reference to the 600 newly hired nurses just in Q1.

Gunnar Romer: That's helpful. Thank you very much to both of you. And good luck for tonight, Stephan.

Stephan Sturm: Thank you, Gunnar.

Ed Ridley-Day: Good afternoon. Thank you. A follow up on Helios. Can we therefore say that the Helios Germany margin is probably going to be the lowest, it's going to be the lowest this year? We've talked about potential obviously top-line acceleration in admissions. But are there some new investments that we should know about that might change that statement that the first quarter German margin would be the lowest for the year? That'd be my first question.

Rachel Empey: Hi, Ed. Rachel. Thanks for your question. I think, firstly, you know that we don't guide on margin quite purposefully. But nevertheless, I will happily make some comments for you. So overall, you know and we've discussed at length already on this call that you see some seasonality in terms of revenues, that we have various initiatives running across what is clearly a complex transformation and investment program that we're making to prepare ourselves for the new setup and also investing into our new business areas. So it is not as easy as just extrapolating a particular margin from one quarter across all of those variables for the following quarters. And I would also remind you the commentary that we made in terms of seasonality. Stephan commented and so did I particularly about Spain in terms of the timing of Easter and also the timing of the summer. But that is also to some extent true in Germany I would say. Particularly, Easter happens more in Q2 this year and will have an effect on the German business. So clearly, without wanting to make any specific guidance on margin, you should bear those factors in mind. And it is not quite as easy as extrapolating across the piece. Nevertheless, I think it is encouraging and a positive development that we have seen a nice stabilization of the EBIT development and also of the margin development between Q4 and Q1 and clearly shows that, from our perspective, we are well underway with the right measures and moving in the right direction.

Ed Ridley-Day: Thank you. And, Stephan, a follow up on that, a more broader question. How -- can you comment on sort of how your engagement is currently with the German government and the authorities? Clearly, there've been some fairly unconstructive communication from them over the last 12 months, perhaps improving towards the end of the year. Can you give us sort of how you're working with them? And in those conversations, do you feel that the sort of the major reforms that they want are sort of in place, or do you feel that we should be preparing for further reform?

Stephan Sturm: Ed, there is a very steady communication flow between us and the various relevant authorities. I wouldn't say that this has stepped up in intensity recently. We're trying to bring our points across with more or less success.

In general, as you would assume and as you probably have heard from us before, we are critical that the overall good idea of rewarding efficiency with a lump sum DRG reimbursement has been abandoned by carving out the nursing DRG. But it is what it is. And I'm hoping that we have been able to convey at least to you that we are coping and have quite a few ideas how to deal with that and actually how potentially even to turn this to our advantage. I have been silent on the variety of initiatives that we have started also to hire nurses from abroad. But there is quite some activity going on where I believe we have a bit of an advantage relative to many of our smaller competitors in the marketplace.

As far as any further regulatory reforms are concerned, I want to reiterate what I was saying earlier -- I think it was Julien's question -- that we are not aware of anything that is currently being discussed to a degree of concreteness. And so on that basis, we are working on the assumption that the current reform initiatives will be reviewed in a '21-'22 timeframe.

We will be curious as to what the incremental bill to the health insurance funds is going to be and whether that is something where the authorities believe it can be financed sustainably without putting additional burden on employers and employees. And therefore, I will be curious to see whether, against the backdrop of such a review, we may see a softening. I can't imagine a further advance of these reform steps.

Ed Ridley-Day: Thank you. That's helpful.

Stephan Sturm: Thanks, Ed.

James Vane-Tempest: Hi, thanks for taking my questions. Just 2 if I can, please. Just to come back to Kabi and the decline in the US, you mentioned some competition for specific molecules. Just wondering if this is mainly coming from McPherson coming back online or if you can give an indication of the different areas where you're seeing competition.

And then the second question again, just on Helios, yes, understand it's stabilizing, but you're benefiting at the moment from price. I'm just curious how you're viewing the ability to get continued price rises in your guidance. Thank you.

Stephan Sturm: James, I hope you will appreciate that we're always a bit shy talking about specific competitors, but it is pretty clear, as I said at the end of our Q3 call, that shortages have been highly concentrated over the course of the second half of 2018. And yes, what we have been referring to over the last couple of quarters also is that the expectation is that certain competitors are going to return to the market a bit more swiftly than consensus estimates would foresee. And from our perspective, yes, as a matter of fact, our assumptions have materialized and have been validated.

As far as Helios and pricing is concerned, I have no reason to believe that the practice that we have seen over the last decade or so, that DRG increases were going fairly

strictly in line with wage inflation in order to make sure that public hospitals who have an even larger exposure than we have to wage inflation can cope with that. So I have no reason to believe that that well-proven practice is going to change. And therefore, my expectation would be that we can continue to rely -- and that is also frankly part of our medium-term plan that we can continue to rely on modest DRG increases going forward.

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

Stephan Sturm: Thanks, James.

Hans Boström: Good afternoon. I have a few questions, mainly on Helios and Vamed, please. First, could you talk to your strategy to cope with the out-migration trend in Germany, whether the occupational health and the checkup centers have any type of impact on that, try to mitigate that trend?

Secondly, since you mentioned you have plans to expand in Latin America, I'm curious to hear whether you have any particular plans to integrate health insurance in your product offering, like your main competitor United Healthcare.

And thirdly, on Vamed, I would be very interested to hear how you have managed to deliver this stupendous 41% growth in the service business. What are the factors that have driven that?

And very finally, could you reconfirm -- I believe there was a mention in your full year conference call about estimated impact from the expected carve out on nursing DRGs in 2020, if you wouldn't mind reconfirming your view on that. Thank you.

Stephan Sturm: Thank you, Hans. On Helios, outpatient treatments are a reality. We continue to believe that they will grow at an above-average pace, from a relatively small base though. We continue to believe that we are perfectly equipped to cope with this growing trend, given that we are the largest operator of acute care hospitals, but also the largest operator of ambulatory care centers.

We made reference over the course of H2 last year, but also in our full year call, that we had gone about a reorganization and management change of the ambulatory care center business. That is still ongoing. We believe that we are not fully utilizing the earnings potential in that business yet and that we can go more about profitability by standardizing and streamlining the operations and also making sure that we capture the full patient potential in our acute care hospitals.

The other initiatives that we have mentioned, so in particular, the ORP business and the checkup business, ORP being more targeted at corporates and checkups being more targeted at individuals, are loosely related. I would say, here, we're really trying to get ahead of the curve as far as overall healthcare spending in Germany and Spain is concerned, where we believe that, going forward, there's going to be a reallocation of funds more towards prevention from today diagnosis and therapy.

As far as Latin America is concerned, as I said in my prepared remarks, we continue to view this as an interesting market. Colombia is an interesting market for us, where we would be keen to look at further opportunities. I was making reference to our general interest in Spanish-speaking Latin America already earlier. I believe that, very specifically to your point, Hans, whilst we have always been great supporters of vertical integration, there are limitations to this. And at least for the time being, I'd much rather view health insurance companies as our partners than our competitors.

Hans, I believe that you deserve an award for asking the first Vamed question on one of our earnings calls. And Rachel's going to hand you that.

Rachel Empey: Hans, thank you very much for your questions. Let me start with the question on Vamed. And you asked about the outstanding growth in the service business of Vamed. I think a few things to say here. Now first, of course, the numbers in totality for Vamed are somewhat smaller than the rest of the group. And thus, the impact in terms of growth rates can give you quite large percentages quite quickly. And I think that's always worth bearing in mind.

I think, secondly, this is obviously also a business where we win contracts. And those contracts in terms of timing can make a difference. And that is definitely the case in terms of what we've seen both in Q1 and Q4, with some clear new business won. And as Vamed is reaching some critical mass in some geographies, particularly in Central Europe, we've definitely seen a little bit of a role in terms of our ability to win some of those high-end service contracts from certain hospital chains.

And I think it is also worth mentioning that the collaboration and coordination that Stephan mentioned in his speech between Vamed and the rest of the group has also intensified, particularly the services that Vamed is providing both to Helios in Germany, but also to Quirónsalud in Spain. And that is also significantly supporting that growth rate.

Your question on Helios Germany, and you're referring I think to -- I think almost the last question I took on the full year earnings call back in February relating to the impact of the carve out of the nursing costs from the DRG from 2020 onwards. And what I said on that call I have no reason to change. So I would confirm. And to reiterate what I said, we are expecting that that carve out will have a high double-digit million euro impact on both sales and EBIT, but that we are able to partially offset that effect with direct measures. That means directly looking at how we manage the processes in our hospitals, the allocation of activities between doctors, nurses, and service personnel so that we are able to re-manage our cost base within that new framework so we can partially offset that high double-digit million euro amount through those activities. And we expect to see a further partial offsetting effect from the other initiatives that we've been driving that Stephan has spent quite a lot of time talking about on today's call. So yes, I reiterate what I said on the call in February.

Hans Boström: And could I just very briefly go back to the Vamed point? You did make a specific mention of a triple-digit elimination for the full year. Now actually gone through the accounts, but wonder how that compares with the previous year. How much more of these services are you providing to the Helios companies?

Rachel Empey: So clearly, we don't publish the individual details of individual contracts. But to reiterate what I said, this year, there is an incremental, i.e. over and above what there was last year, low triple-digit million euro number of intergroup revenue for the full year. And that is significantly driven by the activities between Vamed and Helios, but there are obviously other -- some intergroup activities across the other group companies.

Hans Boström: Okay. Thank you.

Rachel Empey: Thank you.

Stephan Sturm: Thanks, Hans.

Operator: There are no further questions at this time. And I would like to end the call right now. We want to thank Fresenius and all the participants for taking part on this conference call. Goodbye.

Stephan Sturm: Thank you very much also from Rachel and myself. I hope you appreciate that we made more time for this call, as promised. The 1:30 CET starting time seems to make more sense. And I want to assure you that this is not going to be the only commitment that we want to deliver going forward. Thank you for your interest today. We'll see many of you on the road in this second quarter. Thanks.

DISCLAIMER // FORWARD-LOOKING STATEMENTS

This transcript contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to certain factors, e.g. changes in business, economic and competitive conditions, regulatory reforms, results of clinical trials, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. Fresenius does not undertake any responsibility to update the forward-looking statements contained in this transcript.