FRESENIUS

Transcript
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PRESENTATION

Markus Georgi: Good afternoon, and thanks, everybody, for joining us today. I would like to welcome all of you to our Q4 full year 2020 conference call. With me on the call today are Stephan and Rachel. So as always, I would like to start the call today by drawing your attention to the cautionary language that is included in our safe harbor statement on page 2 of today's presentation. And now without any further ado, I hand it over to you. Stephan, the floor is yours.

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. We have a lot on our agenda today. I assume you have lots of questions. So let's move right to page 4 and our "Key Messages."

COVID-19 has created unprecedented challenges, for individuals, society, and obviously also for corporates. The pandemic continues to accelerate trends we've been exposed to and, much rather, are trying to shape: digitalization; affordable, high-quality healthcare products and services; a global, yet local production approach; just to name a few.

I am convinced these times will reward corporates who can draw resilience from their large critical infrastructure and well-proven business models, but who at the same time are ready to embrace and drive change to take their existing strengths into this beginning decade with agility and entrepreneurial spirit. And that's why I'm so sure that Fresenius will be even stronger after this crisis. Our agility and entrepreneurial spirit had many faces during 2020. Whilst our doctors, nurses, and caregivers have, with incredible motivation, fought and helped contain the pandemic, our manufacturing, logistics, and admin staff have ensured business continuity.

I am proud that we, the entire Fresenius organization, have lived up to our special responsibility and have helped to save thousands of lives with our products, services, and therapies. Thus, I'd like to take this opportunity to thank all our more than 300,000 employees around the world for their tremendous dedication. You have truly brought our purpose to life: to offer ever better and affordable healthcare to ever more people. Thank you.

We have not only made major contributions to society. We were also commercially successful. We made our guidance, delivered 5% year-over-year sales growth and, at least very broadly, stable net income, both in constant currency. Plus, we generated cash flow at an exceptional level, strengthening our already solid balance sheet.

And that brings me to our dividend proposal for 2020. We want to extend our flawless track record and propose a 5% increase to €0.88 per share. And that would mark our 28th consecutive dividend increase.

For 2021, you find our core expectations and assumptions in the middle of this slide. And taken together, we assume the current burdens and constraints caused by COVID only to recede in the second half and, from then, rather a gradual recovery than a meaningful catchup. At the same time, we assume meaningfully less government support than last year. And thus, we project net negative COVID effects to impact the first half of this year more than the second half of 2020.

For the medium-term, if you look through the COVID impacts, you will see many attractive growth drivers here at Fresenius and megatrends that, based on our resilience, we are embracing and capitalizing on. In order to retain the required agility, we are determined to launch decisive efficiency improvement and cost-saving initiatives. Thus, we project earnings growth to accelerate significantly over the next years, and we hence confirm our medium-term growth targets.

Onto **page 6**, we observe a lively investor debate whether Fresenius should be viewed as "growth" or "value." And judging from our organic sales growth track record here on this slide, the top line can't be the issue: fairly consistent mid-single digit.

But we obviously recognize the decoupling of earnings growth from the top line. I see 3 reasons: (1) There is little we can do about the COVID impact. We believe that, last year, excluding COVID, earnings growth would've been much more in line with strong sales growth. And I guess we all hope that COVID remains a temporary burden. (2) Our conscious investments over the last few years, biosimilars, plant upgrades, home dialysis, clustering of hospitals, etc., they are bound to yield a return in terms of sustainable incremental growth. Last, but not least, (3) price pressure in many of our businesses, also as a result of regulatory changes, that has been a constant theme over the years that we have successfully dealt with. But it has gained traction recently. And irrespective whether that may only be temporary, we want to counter that with our efficiency improvement program. Bear with me. I'll come back to that in a minute.

We expect this program, combined with the increasingly positive contributions from our investments over the recent past and the hopefully receding COVID impacts, to lead to dynamic earnings momentum from '22 onwards.

The long and the short of it: we have good reason to believe in a structural recoupling of top- and bottom-line growth and are determined to make it happen to see off that growth versus value debate.

That brings me to **slide 7** and our strategic roadmap. We have defined 3 phases for the development of Fresenius over the next years: Optimize, Grow, and Accelerate, structured around the pillars of strategic growth initiatives, operational excellence and cost efficiency, and more broadly, portfolio optimization. We are fully committed to this roadmap because bringing Fresenius back into dynamic earnings growth trajectory, that is our clear goal.

This year, we will initiate the groupwide efficiency program I was just talking about. More details on the next slide. And we will put more effort into an ongoing portfolio evaluation. We will critically review the current portfolio within our business segments with a focus on long-term profitability and capital efficiency.

Then bigger picture, group structure: we recognize that equity markets apply an ever-larger discount to conglomerates. They seem increasingly "out of fashion." Our current group structure has, however, in our opinion, quite a few advantages. Debt investors, for instance, appreciate the diversification of Fresenius, facilitating our access to debt capital at more attractive terms and conditions in comparison to a standalone approach for each of our segments. Moreover, we see meaningful tax advantages. Not least, the group's structure and sheer size offers stability by spreading geographical and end-market exposure. It has served us well over the years and, frankly, did not stand in the way of an attractive valuation and share price outperformance.

However, synergies between the segments remain limited. And we see a mix of capital-intensive, lower-growth service businesses with higher-margin, higher-return pharmaceuticals businesses. With these different elements at play and with the currently somewhat uncertain and volatile environment, that is why the strategic evaluation is a consistent theme over all 3 phases.

At the end of the day, the advantages to be given up must be weighed against the potential benefits to be gained from a potentially revised group structure. We're not making the strategic evaluation now with the intention of changing anything fundamental in the short term. Much rather, we want to be prepared in case the firmly expected earnings acceleration does not materialize. In that, from our today's perspective, unlikely case, we will have to find alternative routes to create value for our owners. So consider it more a backup plan for now.

This year, we will focus on our balance sheet and very disciplined capital allocation. Lowering our leverage ratio is key to gaining strategic flexibility. Due to COVID-19 headwinds, however, we are unlikely to reduce our leverage ratio already this year but are confident to significantly delever over the medium term. Over that period, we plan to reinvest our cash flows either in return-generating M&A or increasing shareholder remuneration.

Talking about acquisitions, our business is about scale. Thus, we still consider ourselves an acquisitive company. We will continue to go after consolidation opportunities and search for appropriate targets to gain strategically superior positions. Large strategic acquisitions are more than likely to take a backseat in the short term. But in the medium to long term, large deals, of course, remain on the agenda.

On share buybacks, we are by no means categorically ruling them out. We may pursue them in appropriate circumstances. That means if we saw a sustainable reduction of the leverage ratio and if the valuation of our stock won't improve over the next years.

Onto the growth drivers for our company, we have clearly defined future themes for Fresenius: biosimilars, bundling of service offerings in our hospitals and clinics, fertility, digital services, and home hemodialysis. We are convinced that we will unleash dynamic profitable growth over the next years based on these themes on top of our attractive existing businesses. Let's go segment by segment to present the cornerstones of our strategy.

I am convinced that FMC is excellently positioned for continued, sustainable growth. Whilst the company has launched a material transformation of its global operating model, it is diligently executing its 2025 strategy, embracing personalized medicine, holistic home care, digital technologies, such as artificial intelligence, and its capability to analyze huge amounts of data for the benefit of patients.

At Kabi, we are rigorously striving for the continuous expansion of our portfolio whilst embracing operational excellence. We have invested close to $1 billion in the expansion of our US manufacturing footprint and our network of US distribution centers. These investments are now coming onstream and will make a significant impact on the chronic problem of drug shortages in the US. Our strategy remains to further differentiate and diversify our US business to reduce the dependency on the more volatile IV generics business.

We are not only expanding our product segments, for example, with biosimilars. We are also developing new ways to help our acute care customers with efficient and safe drug preparation. That is what we call "value-added IV drug products." And you will find a slide on page 23 in the backup which illustrates this strategy more in detail. But also, in Europe and the emerging markets, we are continuously expanding our portfolio, obviously with biosimilars in Europe, but also in China, where growth over the next years is expected to be supported by the launch of new formulations and applications in parenteral and enteral nutrition as well as the further rollout of our IV drug portfolio.

Onto Helios, where based on our strength in the in-patient hospital business, we are further developing the company to an integrated healthcare provider. This integrated approach is designed to serve patients for all health-related demands. We aim to be the patients' first choice in and outside the hospital. We seek to serve our patients at all levels of care, from prevention and occupational medicine, ambulatory care to inpatient services. Prevention will be even more in the focus for the benefit of the patient but also to allocate spending in the healthcare system more efficiently. We are already Spain's leading provider of outpatient care and aim to replicate that success in Germany by fully integrating our offering in a patient-focused end-to-end journey.

To increase the digital connectivity with patients, we have invested significantly in service tools, such as patient portals, video consultations, and other digital features, especially for chronically ill patients. And we continuously focus on finding additional growth opportunities. We will seek to further expand through greenfield hospital projects and selective small- to medium-sized acquisitions throughout our existing regions.

Fresenius Helios has become a leading international provider of fertility services with the recently announced acquisition of Eugin. Given demographic and health trends, as well as changing lifestyles, the underlying growth drivers of the fertility market have proven to be strong and sustainable. And as the global market for fertility services is still highly fragmented, it represents a very attractive opportunity for future consolidation.

At Vamed, we will rigorously roll out our integrated service business model whilst strengthening and extending our market positions.

Taking all that together, I am convinced that, shaping our future according to this roadmap, we will create value for our company, shareholders, and society. Fresenius is a fantastic company, with an entrepreneurial culture, highly motivated employees, very

attractive and steadily growing end markets. It is now on us to thoughtfully reposition our portfolio within those markets to revive our earnings dynamic.

Onto **slide 8** and the planning for our cost-efficiency program. We are currently in the process to define measures to reduce costs and to improve efficiency. And the program has basically 2 goals. Firstly, it's about organizational structures and processes, where we have the clear goal to become an even more agile organization that is truly fit for the fast-changing environment we are operating in, for example, through the growing potential of digitalization. And secondly, it is about further improving our already competitive cost position. We plan to rigorously implement only those initiatives where we expect to see an attractive payback period of 2 to 3 years. Overall, these initiatives are targeted to result in cost savings of at least €100 million per annum after tax and minority interest in 2023, with some further potential to increase thereafter.

Achieving these sustainable cost savings will, however, require significant upfront expenses. Those are expected, as an average for the years 2021 to '23, to be in the order of magnitude of €100 million, again, after tax and minority interests. Consistent with previous practice, we plan to classify them as special items.

With that, onto **slide 9**, with a separate update on biosimilars because it is important to me to illustrate the progress we are making. For adalimumab, we have not only achieved a pretty comprehensive market penetration in Europe. We have also entered the Chilean and Colombian market. And we will soon expand into other Latin American markets, such as Brazil expected for Q3.

Our partnership with the pharmaceutical distributor medac progresses in line with our expectations. We will roll out the successful marketing activities in the area of treatments for rheumatic illnesses also to other European markets soon.

We are very pleased with recent tender activities. We are winning most of the tenders we are participating in. And thus, we are consistently gaining market share, although from a low base. We feel that a certain price stability in the EU is being reached, and in the US, we've even seen price increases over the course of last year.

On to pegfilgrastim, we are expecting to launch this, our second biosimilar, soon. For the US approval, there is an FDA inspection of our manufacturing plants outstanding. And for the EU approval, the EMA has to inspect our labs. Both of these inspections are part of the regulatory procedure, and we have no reason to assume that they won't be successful. However, those are physical inspections. And thus, due to COVID, we cannot exclude that there might be delays. And even though the prefilled syringe launch is important, the planned on-body device market entry is financially significantly more meaningful for us. We are optimistic about the launch in 2022 and currently see only a limited number of competitors in that application form.

A word on tocilizumab, the biosimilar to Actemra: we are looking forward to enter the US and the EU with our third biosimilar in 2023. The financially more meaningful market for us is the subcutaneous dosage form since we are currently assuming to lead the competition here.

And we have quite a few more molecules in our portfolio than those 3 late stage. We expect to enter the US and the EU in 2024 with an autoimmune and in 2025 with an oncology biosimilar.

Having said that, we feel comfortable to confirm our business plan, thus achieving high triple-digit million-euro sales from 2024 onwards and being EBITDA breakeven in 2023. That will not only significantly accelerate growth at Kabi but is also a meaningful earnings accelerator for the entire Fresenius Group.

Onto ESG, and that's on **slide 10**. I've already talked about the pandemic earlier in today's prepared remarks. But among many other things, the pandemic was strong proof for our thesis that sustainability sits at the core of our business model. Delivering "ever better medicine for ever more people" in these challenging times continues to determine virtually everything we do.

The safety and health of our employees and patients, their families, and the communities we work in, they were the focus of our COVID response. In our hospitals and clinics, we have established strict safety protocols to maintain the provision of essential treatments, while reducing infection risk for patients and staff. In our manufacturing facilities, we've introduced strict hygiene measures, such as disinfection and distancing. And from March 2020, many our employees in admin functions have worked from home to avoid infection. I am very proud that, despite these increased safety measures, we were able to continue manufacturing and delivering lifesaving products and treatments, even when operations and supply chains were hampered by global restrictions.

We have implemented a Group Sustainability Board, headed by myself, to align and coordinate all of our sustainability-related activities. As promised about a year ago, we have spent more time and resources on conveying the importance of our ESG priorities to our stakeholders. And we have made measurable progress. Over the past months, we have improved in all major sustainability ratings. Just 2 examples, we have moved from double B to triple B at MSCI, and we were ranked with a best-in-class B, up from C, by climate change rating CDP.

In '21 and '22, we will continue our work by identifying core ESG KPIs as part of refreshed Management Board compensation, which we plan to put on the agenda of our AGM in May. We have discussed the remuneration system proposal with many of you already in November, and the feedback that we received was quite positive. Supervisory Board elections will also be on the agenda. And we plan to introduce age limits for both Supervisory and Management Boards. So we're hoping for your support at the meeting in May.

That brings me to **slide 11** and our planned conference call series starting this year. We are keen to creating more transparency on some of our hidden champions. And we are looking forward to invite you to virtual meetings, where you will also have a chance to get to know other senior members of Fresenius' management.

And with that, I am pleased to hand over to Rachel. Thank you for now.

Rachel Empey: Thank you, Stephan. A warm welcome to everyone. I am pleased that we delivered a good finish to the year amid the unprecedented challenges of COVID.

Our Q4 results for 2020 are on **page 13** and are shown in our usual fashion, so before special items. A comprehensive overview of all special items is provided at the back of our Investor News and in the Results Center on our Website.

Our financials include COVID-19 effects. We are providing you with ranges based on our best estimates of the quantitative impact of the COVID-19 pandemic in the backup of the presentation.

So to the numbers: growth rates on the slide are on a constant currency basis. We delivered sales growth of 5% in Q4 and for the full year, fully in line with our guidance. COVID-19 had a slight negative effect on our sales growth in the fourth quarter and in the full year. So we would've been more at the top end of our original 4% to 7% guidance range, excluding COVID-19 effects, for both the quarter and for the full year.

EBIT showed sequentially accelerated growth, with 2% in Q4. And for the full year, EBIT was flat year-on-year.

Interest decreased year-on-year by 7% in constant currency to €654 million. That's even a bit better than our expectations, mainly driven by successful refinancing activities and ongoing favorable market conditions. For 2021, based on current exchange rates, we aim for net interest somewhat below the prior-year, mainly due to refinancing activities and with a small contribution to year-on-year net income growth.

Group tax rate before special items reached 23.1% year-to-date, in line with our expectation. And for 2021, we aim for a tax rate around 23%.

Moving onto net income, in Q4, we have seen another positive growth quarter with 2% growth. Year-to-date, that's a decline of 3% and thus in line with our guidance. Excluding estimated negative COVID-19 effects, we could have been nicely within or even more towards the top end of the original guidance range, both in the quarter and in the full year.

Let's go to **page 14**, which illustrates the Q4 2020 momentum at each of our four business segments. So Q4 in a nutshell, while Kabi was marked by ongoing headwinds in the US, and moreover, COVID related project delays at Vamed as well as overall COVID-related expenses weighed on earnings growth. Overall, however, these challenges were compensated by very healthy EBIT growth at Helios and solid growth at FMC.

Having a closer look at Kabi, the company showed a strong 5% COVID-driven, organic sales growth in Q4, leading to 4% organic growth for the full year 2020, with significant differences in the development across the regions:

Europe, with 9% organic sales growth in the fourth quarter and 6% in the full year: in line with rising COVID case numbers, we have seen increased demand for COVID-related products across the region and our well-diversified portfolio. Emerging markets showed, again, a sequential acceleration, with 15% organic growth in the fourth quarter, leading to 6% in the full year. Especially pleasing is China, where we have seen healthy organic sales growth in Q4 based on elective treatments almost at pre-COVID levels. The other Asia-Pac markets, however, are still significantly affected by COVID and are lagging behind. Latin America continued to show very strong growth, with increased COVID-related volume demand. As in the previous quarters, inflation-driven price increases contributed to a certain extent to top line growth rates. In the US, fewer elective treatments, competitive pressure, and the temporary manufacturing issues at our plant in Melrose Park outweighed extra demand for COVID-related products. This led to an organic sales decline of 3% in the fourth quarter and a flat development for the full year.

Over to Kabi's EBIT, where we have seen a decline of 10% in constant currency in the fourth quarter and 6% in the full year, as expected at the bottom end of our guidance range.

To the regions, Europe had a decline of 1% in Q4 primarily due to incremental COVID expenses, currency transaction effects, some one-time items, and a strong prior-year comp. Nevertheless, for the full year, we saw 9% growth. Emerging markets, with 29% growth in Q4, particularly pleasing is the development in China. Moreover, we saw some small one-time items, and the prior-year quarter was a weak comp. The full year growth of 5% was nevertheless significantly negatively impacted by COVID effects.

Over to North America, with a significant EBIT decline of 33% in the fourth quarter. As expected, the headwinds from Q3 continued in Q4. We saw ongoing volume and price pressure, increased COVID-related costs, as well as planned higher SG&A spending to build our biosimilars infrastructure ahead of the launches in the coming years. However, the Q4 decline was additionally fueled by some temporary issues that are expected to ease in the course of 2021: manufacturing issues in Melrose Park, missing income and the final write-down of receivables for a customer in Chapter 11, as well as some smaller one-time items. If we adjust EBIT for those items, we are in the mid-30s IV business

EBIT margin corridor range, and the decline would be more high single- to low double-digit percentage year-on-year.

Moving to Helios, where a very healthy 9% organic sales growth in Q4 leads to 4% organic growth for the full year. The situation in Germany, with fewer elective treatments compared to Q4 2019, was largely mitigated by governmental compensation measures. Hence, COVID-19 had only a slight negative effect on the 8% organic sales growth in Germany in Q4. Case mix effects contributed again positively in Q4. With the very strong first 2 months of 2020 and positive price effects, this led to the healthy full year organic sales growth of 6%. We have seen strong 11% organic sales growth in Spain in Q4, where the impact of the second COVID wave on our business during the winter months was not as pronounced as the first wave in spring. Our Latin American business, although also affected by COVID, is still holding up well and thus also contributes positively to reported sales growth.

Moving to EBIT, where a strong increase of 13% for Fresenius Helios in Q4 led to an EBIT on prior-year's level for the full year. In Germany, we have seen an EBIT increase of 10% in Q4. Financial support provided by the German government under revised regulations, focusing on regions with high COVID incidences, broadly offset additional headwinds as Helios Germany continued to play a crucial role in treating COVID patients. Also, here, case mix effects contributed positively. In the full year, EBIT increased by 4% with a healthy margin of 9.5%, broadly consistent with that from the prior year. Helios Spain delivered strong growth of 19% in Q4 in constant currency. That brings us to the full year to a decline of 5% with a margin of 12.1%. Good activity levels, some one-time effects from further commercial agreements, as well as good contributions from Latin America drove a strong performance in Q4.

Over to Vamed, where we have seen an organic sales decline of 22% in the fourth quarter, leading to a decline of 8% for the full year 2020. As in prior quarters, the project business was marked by postponements and cancellations due to COVID, and the service business saw less demand for postacute care treatments, whilst the high-end technical services remained robust.

EBIT was very significantly marked by COVID-19-related costs, especially for the protection of our employees and patients, as well as incremental costs due to project delays.

So let's move onto cash flow on **slide 15**. A strong Q4 took the group operating cash flow to €1.4 billion. For the full year, we are at an exceptional €6.5 billion, a 54% year-on-year increase with a margin of 18.1%. This increase is significantly influenced by the US federal advance payments under the CARES Act as well as shorter payment periods of the COVID-19 government compensation and reimbursement scheme for our German hospital business. But even without those COVID-19-related items, we would have seen year-on-year growth. With continued relatively elevated capex at 6.6% of sales, it brings us to a group free cash flow margin, bottom right, of 11.5%, accordingly, also exceptionally strong.

We ended the quarter with a robust 3.44x net debt-to-EBITDA as a ratio. For 2021, we expect to be around the top end of the self-imposed target corridor of 3.0x to 3.5x, excluding special items, since we will see the reversing effect of the CARES Act payments and ongoing significant COVID effects weighing on our EBITDA development.

With that, let's turn to the 2021 outlook and our guidance assumptions, which you'll find on **slide 17**. Our guidance includes the effects of COVID and, as usual, excludes the effects of special items, which for 2021 are likely to entail the usual items as well as the significant restructuring charges that you heard about from Stephan.

Recognizing the still very high COVID case numbers across the globe and the associated various containment measures being enacted in many of our relevant markets, for guidance purposes, we are assuming that the current burdens and constraints caused by the pandemic will only begin to recede in the second half of this year. Nevertheless, with significantly less government support in 2021 expected, the net negative impact of COVID on group revenue and net income this year is expected to be greater than in 2020.

The improvements that we expect in the second half of 2021 are, of course, heavily dependent on continuously advancing vaccination programs in our relevant markets. Possible deterioration of the situation with containment measures that have a significant and direct impact on the healthcare sector and are not appropriately compensated is not included in our group full year 2021 guidance. To be clear, that is not the situation right now. There remains, of course, significant uncertainty in these assumptions and the potential impact on our business.

We obviously also have no crystal ball in front of us. Considering the highly volatile environment, we are convinced that giving you guidance ranges, not only on group, but also on business segment level, is bold and, as such, are giving you somewhat broader ranges to try to take account of the inherent uncertainty. I would hope, with more certainty, we can tighten those guidance ranges in the course of this year.

Having said that, let's turn to the 2021 outlook by business segment, which you'll find on **slide 18**. Kabi's organic sales growth first, where we project low to mid-single-digit growth. We assume ongoing marked and volatile COVID effects in the first half, and that competitive pressure in the US will last throughout the full year 2021, as well as some more anticipated price pressure from the tendering system in China.

Onto EBIT, where we expect a stable development up to low single-digit percentage growth. The top-line drivers here have a direct impact on the EBIT line. Moreover, we are seeing higher depreciation levels due to our significant investments over the last years and ramping investments into biosimilars sales and marketing capabilities.

In terms of phasing, we are assuming to see significant regional differences, for example, with softer comps in the emerging markets in the first half and tougher comps in North America, especially in Q1 and Q2, leading overall to a weaker Q1 growth and stronger Q2 for both sales and EBIT.

Over to Helios, where we expect low to mid-single-digit percentage organic sales growth. For 2021, we expect a solid development in Germany with most of H1, in all likelihood, significantly impacted by COVID effects and the associated government support programs similar to those that are currently in place. Helios Spain is expected to be back to good solid mid-single-digit organic sales growth.

For EBIT, we project mid- to high single-digit percentage growth this year. We expect Spain to grow significantly faster than Germany on the back of softer comps and a stronger top-line development. With some headwinds from the final definitions within the nursing carveout, ongoing uncertainty associated with our COVID assumptions, and the expectation of some meaningful reduction in government support, we expect to keep absolute EBIT for Helios Germany for 2021 on broadly the same level as we saw in the full year 2020. Again, the phasing of the COVID impacts year-on-year are likely to see a weaker Q1 growth for Helios in both Spain -- sorry, in both sales and EBIT and much stronger growth rates in the second quarter.

Over to Vamed, we expect mid- to high single-digit percentage organic sales growth and a high double-digit million-euro absolute EBIT. This guidance considers ongoing headwinds, especially in the project business, in the first half of 2021.

Moreover, incremental COVID-related expenses combined with negative operating leverage effects in the rehabilitation business are expected to continue to take their toll in the first half of this year, whilst we assume the high-end technical services business to continue to be very resilient.

So taking all together for the group, and that's on **slide 19**, starting with sales growth, where we expect low to mid-single-digit percentage growth. There is a small inorganic effect from the Eugin acquisition, the Malteser acquisition in Germany, and hospital acquisitions in Latin America baked into our expectation.

Over to net income, we are projecting an at least broadly stable development in 2021. Also, for net income, we are expecting a small inorganic effect from the acquisition.

A word on the phasing of growth. Obviously, the different expected effects of the pandemic in the different segments and regions will have a very significant effect on the quarterly growth rates as we go through this year. Currently, we assume for the group that Q1 of 2021 will likely show weaker growth as we have a much more negatively impact from COVID than we did in the first quarter of 2020, a situation which we hope to see somewhat reversed in the second quarter.

As to the currency translation effect, if current exchange rates prevailed until the end of the year, we would see a headwind of around 3 percentage points, mainly from the US dollar, for both sales and net income.

And with that, Stephan and I are very happy to take your questions.

Q&A

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

Michael Jüngling: Great. Thank you, and good morning and good afternoon, all. The first question I have is on the corporate structure. Who's the decision maker on the portfolio structure of Fresenius? Is it the Supervisory Board of Fresenius, or is it the Supervisory Board of the Else Kröner Foundation? And in that context, is the Foundation showing signs of being supportive of a large change at Fresenius SE? That's question number 1.

Question number 2 is, when it comes to your guidance, what are your assumptions behind vaccination, the importance of vaccination in Europe for your hospital business and also for your assets in the United States? Where do we need to get to, to be able to achieve your guidance for the full year?

And the final question is on Kabi Melrose Park. Can you comment how the R&D ANDA pipeline looks beyond 2021? I think it's very nice to derisk it for this year, but just the thought of how important Melrose Park is for 2022 and '23, should you have an adverse decision by the FDA. Thank you.

Stephan Sturm: Thank you, Michael. It's Stephan. On any potential decision on the corporate structure, our Management Board, then the Supervisory Board, and ultimately potentially our Shareholder Meeting would be the decision maker. On the one hand, this is early, and we're starting to go about an evaluation. On the other hand, I would say there is freedom of thought.

On vaccines, Rachel is going to provide that answer.

On Melrose Park, as you know, this is 1 of 3 of our plants in North America. Frankly, we haven't had major contributions as far as ANDA approvals out of Melrose Park for a while. And as we also indicated as part of our Q3 call, as soon as we saw a risk, and at this

point in time, it is not more than a risk, for a more meaningful holdup of ANDA approvals, we have also started efforts to transfer ANDA files to our 2 facilities.

So I don't want to dodge your question straightaway, but on the other hand, what I will leave you with is the longer time lasts, the more alternatives we're going to have as far as ANDA approvals are concerned.

Rachel, vaccines?

Rachel Empey: Thanks, Stephan. And, Michael, many thanks for the question. I think, for us, what is key in terms of underlying our guidance assumptions for 2021 and specifically the improvements that we've talked about in the second half year, is some, let's say, recession of the negative effects that we're seeing from COVID. And that means, in principle, a gradual return to some kind of normality over time. Specifically, of course, that is relevant in terms of supply chain activity, travel constraints, and very crucially, for many of our business models, the volume of elective surgeries within our own clinics and then the knock-on effects that that has both on our rehabilitation clinics, but also on demand for our drugs.

And so there isn't a date and a specific market penetration of vaccinations that is crucial. But clearly, in all of the important markets for us that we continue to see marked and consistent progress in vaccinations that allows the gradual loosening of COVID restrictions, enables patients to feel confident to return to hospitals, and that hospitals have the capacity to return to the more normal levels of elective procedures, so that the knock-on implications for our business can begin to see a recession in the negative impacts that we have seen to date.

So crucially, I think, Michael, consistent progress in the important markets of vaccines that enable a gradual recession of negative impacts in the second half year this year are the key assumptions that are underlying the guidance that we've given. I hope that's helpful. Thank you very much.

Michael Jüngling: Thank you, Rachel. Could you just sort of give perhaps a bit of color in terms of what your expectations are for vaccinations in Spain and in Europe? Europe's been quite slow in getting vaccines. Are you hoping it'll be 50%, 60% by yearend, or is it going to be a lower number, just a sense of what you need to get this -- these procedures, the elective procedures up to a higher level?

Rachel Empey: Michael, I think it's very difficult to be very concrete. But clearly, if you look at the maths in terms of the effectiveness of the vaccines and also the potential for the speed of rollout that we have seen in some markets that are going, let's say, more quickly than some of the European countries, there is quite credibly an opportunity that we get above 50% during the course of 2021. And I do think that that would begin to clearly have a material impact on the number of hospital admissions for COVID. And clearly, that will obviously then have a knock-on impact in terms of the opportunities for elective procedures and free up capacities to enable that to happen, hopefully also bringing some confidence to patients who may otherwise have been reticent. I hope that helps.

Michael Jüngling: Yes, thank you.

Tom Jones: Good afternoon. Thanks for taking my questions. I had 2, maybe 3. The first one was just on Helios. If I look at slide 29, your occupancy rates seem to down kind of high single digits in Q4, if I take the average of that wiggly line. But revenues grew 9%, which is quite a disconnect. I was just wondering if you could perhaps give us a bit more color on those 2 figures and maybe try and square that circle for us.

The second question was just on -- maybe for -- on the guidance, sorry, for Rachel. In past years, you've given an absolute range for net income growth guidance, whereas this year, you've set a floor effectively, but given us no upper limit of where you expect net income or think net income could fall.

I understand there's more uncertainty than usual. But what is it that's specifically given you cause to not provide an upper limit on the net income growth guidance for this year?

Rachel Empey: Tom, thank you for the questions. You said 2, possibly 3. I think those were 2, but I'll try and address them and hope that I got all of them on the way.

Your first question around the Helios occupancy rates and in comparison to the very pleasing growth that we saw in revenue in Q4, I think 3 things from my side that are very relevant to remember. There is, of course, a price effect year-on-year coming from the combination of the DRG inflator, but also the usual other, let's say, pricing aspects that you see on a regional level within the German healthcare scheme. And that clearly had a positive impact throughout the year and was also a good contributor in Q4.

Secondly, what we've seen is that, with slightly fewer patients, we have tended to see more seriously ill patients on average within our clinics, i.e., there is a case mix effect that is also having a reasonably relevant significant -- a reasonably relevant inflationary impact on price when you make a comparison year-on-year.

And I think the third effect that's important is what I also mentioned in my speech. There have been revised government support measures in the fourth quarter specifically focused on the regions with hospitals with very high incidence of COVID, where we do have a number of hospitals who have been very active in supporting the care of those patients. And clearly, that government support has also been a relevant contributing factor in the fourth quarter.

So I think those 3 effects are the ones that enable you to square the circle between the occupancy rates and the revenue growth that we saw in Q4.

Your second question associated with the nature of the guidance that we've given for net income growth for the group for 2021, I think you've understood quite correctly why we have moved to slightly broader ranges. What I mentioned in my speech, clearly, this is, I think, a bold move on our part to give you not only group guidance, but also segment guidances with the inherent uncertainties that we have with the current situation influenced by the pandemic. And I hope that it is helpful in giving you the context of how the moving parts work in contributing to the group guidance.

You are effectively right in terms of saying that we have given you a guidance that has a floor, which is, as a minimum, at least broadly stable over 2020 in constant currency. And there is no upper limit to our guidance. And I think that's very clear in terms of there are a number of uncertainties for us, which we hope are going to become step by step clearer throughout the year.

And we hope that we will be able to give you something increasingly more specific as we gain that certainty. But for now, what was important for us with the different mix effects and the different risks that we take for the different business models was to be very clear that we do see a floor of at least broadly stable over the prior year.

Tom Jones: Okay. That's very helpful. The third question was probably more one for Stephan, actually. So if I may, Stephan, the points you made about the group structure I think are fair. But what I'm trying to disentangle in my mind is why the potential changes to group structure are only a backstop. If they are indeed value creating for shareholders, why not look at them at the same time as improving the underlying earnings growth of the business? Why do they only have to kick in if the earnings growth

of the business in its current structure doesn't improve? Just some color around that would be helpful, I think.

Stephan Sturm: Tom, we are determined to take a close look at them right now. But at the same time, as I was trying to allude to in my speech, A, we believe that the current group structure has meaningful advantages in terms of lower cost of debt and also save taxes. And B, the complexity that seems to be perceived these days has not stood in the way in the past of a very attractive evaluation. We have not, in my mind at least, increased, at least not meaningfully increased complexity recently. And therefore, in my mind, it's got to be something different. I will be wary to lightheartedly give up very tangible advantages, but -- and therefore, we were saying, at the end of the day, this needs to be weighed up. And I would like to look for truly tangible advantages of a change of the group structure, rather than this just being flavor of the year. But again, we will be determined to take a look at this in short order. And we will not be dogmatic about it. As I've just answered to Michael's question, there is freedom of thought.

Tom Jones: Okay. That's very clear. I've got several more questions, but I'll jump back in the queue.

Stephan Sturm: Thanks, Tom.

Veronika Dubajova: Excellent. Good afternoon, and thank you for taking my questions. I have 3, please. One is, Stephan, can you disclose the biosimilar revenues for 2020? It's such a big part I think of where your midterm guidance is different from consensus. And it would be really good to understand exactly where you are. And if you could comment, I know you gave us some graphics in the slides, but maybe comment more specifically on expectations and KPIs you have year-by-year so that we can track your progress and think about giving you more credit for this business than I think it's currently earning. That would be really helpful. So that's my first question.

My second question is on the Helios 2021 guidance. And, Rachel, apologies if I misunderstood you, but it seems to me that you are implying further margin deterioration in the German business if you're kind of talking about stable EBIT against revenues that are -- just kind of trying to understand what's happening there because, in 2019, margins were at almost 10%. It seems to me like you're guiding to margins of around 9%. And maybe I've just missed something, but slightly surprised by that margin deterioration. And if I misunderstood you, then why is it that the Helios margins will not return to pre-COVID levels this year? Is it something else other than Germany?

And then my third question is kind of a follow up to the portfolio optimization question that Tom asked. I think it's been a theme of today. I guess it would be really good to understand, if I look at your business over the past 4, 5 years, it's been a little bit of a game of whack a mole. There's been something that hasn't gone right every single year in one of the businesses. And I guess that's the inherent nature of being a diversified company. And it has some advantages, but also, it has turned out, significant amount of disadvantages over the last couple of years. And so if I can just push a little bit harder on these perceived benefits that you see because, other than cost capital, which is anyhow very [cheapy] now, it's kind of hard for us to see from the outside what the value is, given that every January, we seem to wake up, and there is something wrong in one of the divisions, or at least that is the perception that investors have. Thank you.

Stephan Sturm: Veronika, biosimilars 2020, low double-digit million euros, expectations for '21, a multiple of that. Sorry I can't be more specific.

On Helios Germany, Rachel is going to answer that.

On the advantages of the current group structure in the form of saved interest and taxes, this is a recurring triple-digit number, capitalized a very meaningful value. I am willing to

find ways to make up for that if a suggested change would mean that we're going to lose it. Rachel?

Rachel Empey: Thanks, Stephan. Veronika, your question on Helios Germany, I think the first important thing to remember when we're talking about comparing 2021 and 2020 specifically is, of course, we are expecting both years to be significantly impacted from an operational perspective from COVID. We know how 2020 ran. I don't need to remind you of that. We are obviously starting 2021 with a significant COVID impact in the first quarter. And you've heard us describe and I think talk about in quite a lot in detail our assumptions in terms of how we expect that to develop during the year.

I think the second thing that's very important is we are expecting meaningfully less government support in 2021 than we received in 2020. And particularly, I think, as I mentioned in my speech, one would anticipate continuing to have a COVID impact and significant support for Germany, particularly in the first half year, but then hopefully a gradual improvement in the underlying COVID situation and, obviously, that government support very likely dropping away.

So with all of that in mind, with my comments, you should infer a solid but modest organic sales growth for Germany as part of that low to mid-single-digit growth that I mentioned for the Helios Group and, as I said, a broadly stable EBIT growth year-on-year. That implies to me still a margin in the same kind of order of magnitude as we have seen in recent years, namely something that probably starts with a 9. But in the context of what I've just described, where we do anticipate a significant COVID negative effect on our hospitals in Germany this year and a meaningfully less size in terms of the government support package. I hope that's helpful.

Veronika Dubajova: Understood. I guess what I was just trying to ask in a very winded way was, is there anything structural that you think has changed in the German business that would prevent you from going to that mark, let's say, be closer to 10% as you get to 2022?

Rachel Empey: Veronika, I would say there are definitely some interesting structural developments in the German healthcare sector, as in other markets. And you heard Stephan talk about them in his speech, particularly the acceleration of outpatient treatment, further acceleration of digital services for our patients, the move even more towards prevention, and the opportunity that actually that brings for Fresenius Helios in the medium term to give that end-to-end journey, given the infrastructure and capabilities that we already have in the German market.

So yes, there -- I would say there are structural developments. And of course, those kind of changes always present risks, but for me, they also present very clear opportunities. So a margin that is in the order of magnitude of 9% to 10% with potential growth opportunities I think is definitely feasible, but with the strategic positioning and strategic development that we've talked about and Stephan was particularly referring to in his speech today.

Veronika Dubajova: Understood. Thank you, guys.

Rachel Empey: Thank you.

David Adlington: Afternoon, guys. Thank you. Two questions, please. I don't want to flog the restructuring horse, but maybe if I could just push you in terms of when we might hear some further thoughts. You're looking at it in the short term possibly. But actions -- some actions are going to be taken possibly until 2023. Just want to get your thoughts maybe when we might hear some more.

And then secondly, just on the cost savings, the €500 million. I just wondered how that, let's say, the €100 million, how that overlaps with the €500 million at Fresenius Medical Care. Obviously, different timeframes there. How should contribution from Fresenius Medical is going towards that €100 million by '23? Thank you.

Stephan Sturm: David, I wouldn't rule out, but at the same time would be surprised if you heard something more from us in this regard, something tangible, over the course of this year. I think as far as group structure is concerned, next stop is going to be a year from now. But by then, I will also want to tell you something more definitive against the backdrop of further progress that we will have made one way or the other on our strategic roadmap. Again, Plan A is to deliver on the growth initiatives and the cost efficiency. Plan B is rather to do something about it if something currently unforeseen gets into the way.

Rachel is going to talk about the cost-saving assumptions.

Rachel Empey: Thank you, Stephan. And, David, thank you for the question. Let me try to paint a picture for you of the different pieces. And clearly, I don't want to preempt what you're going to hear from Rice and Helen later. But I think 2 or 3 points from my perspective would here be very relevant.

I think, firstly, both for the Fresenius Group, and I'm sure you'll hear from Helen and Rice later also for Medical Care, the plans that we are making to have a look at cost and efficiency measures and, particularly for Medical Care, the work that they are looking at in terms of the potential transformation of some of their business models, is definitely in the early stages. And as you heard from Stephan and I earlier, we hope to be able to talk to you in more detail in terms of some of those concrete plans when we release our Q1 results, which will be at the beginning of May.

So it is in that context that we wanted on behalf of the FSE Group today to give you an idea of the targets that we've set for ourselves and an idea of the order of magnitude of what that might mean so that you have some concept of the ambition that we have, but at the same time, the understanding that we are looking at a number of flanks and opportunities, let's say, in terms of where those savings might come from and that there are not concrete plans that go behind.

And hence, in terms of building a bridge for you between €100 million and €500 million, I think there are few moving parts that are worth considering, but at the same time recognizing that neither business has a detailed plan of measures they are going to execute. And of course, that means don't -- we don't have a detailed year-by-year plan in terms of exactly how those costs and benefits will pan out.

When you have a look in more detail at what Medical Care are describing, they are talking about run rate cost savings from 2025. And they are talking at an operational level, i.e., at an EBIT level. And when you then have a look at our target, we are talking at the FSE Group level, which is obviously meaning after net -- sorry, after tax and minorities, i.e., at a net income level for the group. So as Medical Care move towards their €500 million EBIT in 2025, clearly, you may expect a contribution from them in 2023, but that would be built into our numbers only with our 32% share and after tax. And hence, you can't really directly compare those 2 numbers. They are at a different timeframe and also at a different level, given the structure of the group as a whole. But clearly, Medical Care's activities are important to us from an FSE Group perspective. But clearly, as you've seen from the slides that Stephan presented, we are also looking at a number of other opportunities and areas where we see that there could be some efficiencies we will be able to drive across all of the segments of the group, including corporate. So you shouldn't think that this is just a Medical Care plan. It is a groupwide set of activities, where Medical Care will, of course, make a contribution, but clearly, a significant difference in terms of the timeframe and the line of the P&L that we're talking

about when you try to compare the €100 million with the €500 million. I hope that helps for you, David. Thank you.

David Adlington: It does. Thank you. Maybe if I could just come back, Rachel, and just ask this, why have a different timeframe for FSE versus Medical? Why not have an overlapping timeframe?

Rachel Empey: I think there's a quite basic reason for that. Fresenius Medical Care in their Capital Markets Day in October set themselves medium-term financial targets of mid- to high single-digit growth out to 2025, so for the cumulative period out to 2025. And the FSE, so us as a group, we have medium-term targets that run out until 2023. And clearly, given the uncertainty that we are currently operating in and the headwinds that both businesses are currently facing to secure the midterm targets for the 2 groups respectively, we are both looking at cost and efficiency and transformation measures. And hence, we have respectively referred to the last year of the medium-term guidance that each of us has.

David Adlington: Great. Thank you.

Stephan Sturm: Lisa?

Lisa Clive: Hi. Sorry, my battery's about to die, of course. Sorry about that. So 3 questions, 2 on Melrose Park. First, on slide 22, does the language around this mean that you weren't originally planning on launching anything from Melrose Park, or you were, and now you've sort of shifted away from that? And can you just give us a comment on generally what proportion of your recent launches have been from Melrose Park?

And then second question on Melrose Park is sort of, could you just walk us through what the potential timeframe could be with the FDA? It's my understanding there isn't any inspection scheduled. And so if the FDA does not feel the need to do an inspection, then therefore, there's no risk of a warning letter, if I understand correctly, if you could just sort of elaborate on that.

And then lastly, on opportunities in the US, can you give us an update on the timeline for when your infusion therapy business will go online in the US? Thanks.

Stephan Sturm: Thank you, Lisa. We had originally planned launches out of Melrose Park for this year. But as we indicated already late last year, when we talked about Melrose Park issues, the number was fairly contained, and we also felt we had mitigants. So out of your 2 alternatives, it is the latter.

As far as ongoing process in Melrose Park is concerned, if you walked the floor of the plant today, you wouldn't notice a difference, and the operations is undisturbed. The -- I would also expect -- I have said that on a few occasions already before that getting final clarity on this situation will require a physical inspection. Frankly, I don't want to sound arrogant, but I would like to have that inspection rather sooner than later. And therefore, COVID is a bit of a hindrance.

Coming back to our overall set of assumptions for the group this year, I would hope, I would expect that such a physical inspection can take place in the second half of this year.

Lisa, help me. Remind me of your third question, please. Infusion solutions, that is scheduled for 2022.

Lisa Clive: Okay. Was that -- has that been delayed because of COVID? Because I thought that plant was originally supposed to be online this year.

Stephan Sturm: There were a few but minor delays.

Lisa Clive: Okay. Thank you.

Stephan Sturm: Probably shifted from late ’21 to probably -- hopefully rather early ’22.

Lisa Clive: Okay.

Stephan Sturm: Thank you.

Hassan Al-Wakeel: Thank you very much for taking my questions. I have 3, please. Firstly, could you talk about the pricing developments at Kabi US and whether competitive pressure is intensifying, or are we passed the peak as it relates to Pfizer’s return? When should we expect margins at Kabi US to recover to more normalized levels and the Melrose Park impact recede?

Secondly, could you talk about the potential synergies you may be able to drive with your acquisition of Eugin? How should we think about the medium-term growth in margin potential as well as consolidation opportunity? And could you outline the assumed contribution from total inorganic activities to sales and net income to the group in 2021?

And then finally, on FMC, interested to get your view, Stephan, on whether the mortality impact could’ve perhaps been anticipated earlier or perhaps mitigated to a degree, perhaps via efficiencies, given this has been a theme of discussion for some time. And related to this, do you see a more medium-term impact related to mortality in the CKD population that could potentially impact the business beyond next year? Thank you.

Stephan Sturm: Thank you, Hassan. Rachel will get you started with pricing in the US. I will talk about Eugin and FMC.

Rachel Empey: Hassan, I think you snuck in more than a couple of questions there. Let me try and see if I can cover them for you. So let’s start with Kabi US. I think, as I said very clearly in my prepared remarks, not just this time in Q4, but also in Q3, the reported situation that we have in the US does portray a situation that is somewhat worse than the reality that you quite rightly identified that it’s not just Melrose Park, but also some other headwinds that mean that the reported numbers are looking somewhat weaker than we would like.

But nevertheless, you are also correct in saying that the price pressure and the competitive environment has definitely sharpened, particularly, I would say, in the second half of 2020. And as I mentioned in my prepared remarks, we are expecting the one-time headwinds, particularly from Melrose Park, and also from that customer who has gone into Chapter 11 so that we have an annualization headwind, at least in the first half of the year here, we are expecting those that we describe as temporary headwinds to recede, I would say, gently and throughout the first half of 2021. But we are also anticipating that we will continue to see price pressure throughout the course of 2021 affecting the numbers for Kabi North America.

You specifically mentioned Pfizer. I wouldn’t link this price pressure specifically to 1 competitor, more that we are going through a cycle of price pressure that we have seen consistently happen over the last few years and that we are in another one of those waves. But you can assume that we have assumed that kind of continued price pressure throughout the course of 2021.

Specifically, you also mentioned the margin. You understood hopefully from my prepared remarks that a more normalized margin for the fourth quarter of 2020 for the IV business in North America would have been nicely in our usual mid-30s band rather than the much lower one that we reported. I would clearly anticipate, as I mentioned, some of

those temporary headwinds still to persist through the first half of 2021. But I do think that, for the IV business itself, that mid-30s percentage margin is still a medium-term sustainable goal.

I think, as part of the Eugin question that Stephan is going to answer, you also did ask around how much inorganic contribution is there to the targets that we have set ourselves. You are right that, for the group targets, those are constant currency growth, whereas the targets for Kabi, Helios, and Vamed are organic sales growth targets. So within the segment sales growth targets, there are no acquisitions included. But for the group, there is something like an order of magnitude of around a percent point coming from inorganic activity, mostly, of course, coming from Helios, where part of that is Eugin and part of that is the annualization effects of the other hospitals that we have acquired.

I think then, Stephan, back to you.

Stephan Sturm: Thank you, Rachel. And I think, first of all, what across the group we seem to be relatively good at is rolling out medical protocols across a larger network, be that at FMC for dialysis, be that at Quirónsalud for ORP, be that at Helios for acute care hospitals, which is why, as a first step before we specifically turned to reproduction medicine and then thereafter to Eugin, we were looking at the broader universe of chain medicine. And doing consistent rollups and while doing that also improving medical quality, which initially leads to more patient satisfaction and then as a knock-on effect also to commercial success, that is what we were after.

Reproduction medicine, that lent itself or caught our attention primarily because both Helios and Quirónsalud and, frankly, also some of the hospitals that we have more recently acquired in Latin America are already active in that field, albeit for now more sporadically and less coordinated. And we do believe that Eugin is now going to be the platform to align our operations there.

Secondly, as you would expect, in most of our acute care hospitals, we have gynecology or pediatrics as key indications. And therefore, there is a natural extension already there. And maybe thirdly, we believe that the key success factor in reproduction medicine is ultra-good labs. We have a well-defined lab infrastructure in the markets that we're active in already. And therefore, there are both medical quality and cost advantages that we can draw from that.

Hope that answers your Eugin question. Going to move onto Medical Care. Short -- my brief answer, Hassan, is no. We had indications that excess mortality could turn out to be an issue. FMC put it in their filing in Q3, made a separate remark towards it in Q3. And from thereafter, I am on record at the various January conferences, when I was being asked what, Stephan, is the largest risk you think on your mind for 2021, I have consistently said it's excess mortality of dialysis patients. But I have convinced myself that, as far as the availability of reliable data is concerned, this was the earliest we could make an announcement to the street. This has been -- even though I don't want to further excel in ad hoc notifications, but this has been exemplary. And I did not see -- still do not see any way to inform you on a reliable basis. There are lots of factors that we have looked at over the years. I do remember myself over the budgeting process looking at various indicators that were actually pointing just in the opposite direction. And therefore, this was the earliest we could do.

More structural repercussions, I believe at least 1 year of patient growth for Fresenius Medical Care is lost, which is commercially very unfortunate, but way beyond that, obviously, a human tragedy. And I believe that, beyond that, there is, as far as our business model, FMC's business model is concerned, there is nothing fundamental. You will have seen, from FMC's press release, Rice and Helen are talking about a transformation. Yes, we will embrace digitalization. We will, obviously, look at our clinics' portfolio. We will take this as a catalyst to put even more weight behind home dialysis,

home hemodialysis. And in a sense a catalyst like this is always needed to get the acceptance inside and outside the company for a larger transformation. So I believe, if there is obviously overwhelming negative news coming out of this excess mortality, there is also a bit of an opportunity coming out of it. Hope that clarifies my stance on this.

Hassan Al-Wakeel: That's helpful. Thank you.

Stephan Sturm: Thanks, Hassan.

James Vane-Tempest: Hi. Thanks for taking my questions. Just have 3 if I can, please, on Kabi. With no launches at Melrose Park this year, just curious how this (inaudible) line utilization, if new ANDAs are being assigned to other facilities.

And then the second question, related to that, excluding some issues, I think you said the Q4 US EBIT was high single-digit or low double-digit EBIT decline. So how do you see the US business progressing through full year '21? You talk about pricing pressure, but there seems to be a lot more than your peers. And I'm just wondering if this is due to the concentration of your portfolio. So if so, what can you do to mitigate that?

And then the final question is on biosimilars. You mentioned winning tenders. But what do you assume on the competitive environment in biosimilar pricing in your midterm guidance, given this is so important to reach these goals, as this is a concern of many of your peers who've already launched several first-generation biosimilars? Many thanks.

Stephan Sturm: Thank you, James. Let me start with the biosimilars. And as I said in my prepared remarks, we're fairly successful in the tender markets. And as we -- as I also said, we observed a bit of a bottoming out. And I would hope and expect that that is more than just temporary. Obviously, our progress has been hindered by COVID preventing our salesforces to make more HCT visits in the nontender markets. Overall, I would expect that, with further rollout of the medac model and also with an alleviation of the COVID situation in the second half of this year, more progress can be shown.

We are not under the impression that competitive pressure is meaningfully increasing. I am not seeing a larger number of new projects from other -- in particular, not from new competitors. You have heard us -- so for instance, on tocilizumab being the only biosimilar in the pipeline, you heard us say that for quite a while. And that observation has not changed. I do appreciate the skepticism. But at the same time, I still fail to see why competitive pressure in biosimilars should be larger than in small molecule generics.

Talking about our portfolio and for the price pressure effects -- I will then hand you over to Rachel -- I would argue rather the opposite that this is the broadest portfolio in the US market, with the largest number of SKUs.We cover all the major indications, and you heard us talk before about the idea of even further broadening it. If there is one criticism that you probably can't make is that we have too dedicated, too specific a product portfolio as far as our IV generics are concerned.

Rachel?

Rachel Empey: Thanks, Stephan. James, let me try and make a few comments again about North America and 2021 and 2020 and the different moving parts. You are right in terms of the interpretation of my comments around the Q4 development. But it doesn't necessarily mean that you should take Q4 as an absolute proxy as to that is how every quarter of 2021 should look.

You've heard from us many times before that you see a lot of differences quarter by quarter depending on what is happening around tender activity, shipment activities, and just the usual phasing in terms of what happens within the business. So I don't think that you should take Q4 of 2020 somehow as a proxy for every quarter of 2021, even if you

try to exclude some of those temporary effects that I mentioned we would expect to weigh.

I think you also need to think about the fact that 2020 has been a very volatile year, also from a COVID perspective for our North American Kabi business. We have seen significantly fewer elective procedures, and then we have seen very lumpy demand, firstly, coming from COVID-related specific product demand, but also coming from the stockpiling from the US government. We are obviously seeing less of that kind of activity in the second wave of COVID. But nevertheless, exactly how elective procedure volumes play out versus incremental COVID demand is also something that was relevant for '20 but will be very relevant for '21 and in terms of the phasing as to how that may play out in terms of how the growth rates may look and, finally, what that means in terms of the evolution of the EBIT. You know specifically that mix effects can have a smaller impact on the top line but a very material impact on the bottom line. We've seen that throughout 2020, and that clearly could play a significant part for 2021.

Given all of the uncertainties, clearly, I am not going to give you a specific guidance for Kabi North America for 2021. But I think, continuing to see a phase out of the more one-time orientated headwinds, i.e., the annualization of the loss of that customer, the impacts coming from Melrose Park, that will phase out but still have some negative impact for the next couple of quarters. And that is, again, specifically relevant, I would say, on a more notable basis on EBIT than it is on revenue. And then based on the expectations around the ramp up of volumes, based on the ramp up of elective surgeries versus exactly how the competitive environment evolves will lead us into the second half year, where with some weaker comps, clearly, one could anticipate that things will look a little bit sunnier.

I think one final point from me. Your first question was around utilization in Melrose Park. I think the one comment I would make is that you have rightly understood that we have not included any new drug approvals for Melrose Park for 2021. But at the same time, just in terms of the shape of the portfolio, Melrose Park was not the biggest contributor in our original expectations for 2021. So we don't see that as the biggest contributor to any potential utilization trends for this year within that. Thank you.

James Vane-Tempest: Thank you.

Oliver Metzger: Good afternoon. Thanks a lot for taking my questions. The first one is on the cost-efficiency program. So you named the strategic alignment of clinic portfolio in Germany. Could you elaborate on that? So to which extent are you flexible in closing to small hospitals? Are there any contracts with municipalities which prevent a potential closure? That's question number 1.

The second one is on the organic revenue growth guidance at Helios. In particular, in Spain, you have a low base which should translate to some tailwind. In Germany, the prospects are also not that bad. Also, the occupancy rate goes up. There is potentially a little bit lower governmental support. But that's more, in my view, bottom line issues.

So have I missed something negative, or what is the reason why guidance appears more conservative in comparison to your, I would say, traditional multiyear guidance of 4% to 6% organic growth?

And finally, it's also on Helios, on the German market. As you have said, there's meaningfully less governmental support, which provides some headwind for the market as a whole. Simultaneously, there are more distressed public finances than before corona has started. This would indicate a perfect environment for market consolidation and, therefore, potentially more opportunities for external growth. So am I wrong if I look on that on a win-win situation? So even there's more governmental support, which would be positive, or is -- or more external growth opportunities, which will be positive.

Stephan Sturm: Thank you, Oliver, for painting a bull case. I will try and take on your first and your third question. Rachel will cover the organic growth then thereafter.

On the cost efficiency program, yes, as one of the examples, we have said that we will take another look at our hospital portfolio. It is not that we have made traumatic mistakes in the last years when we did hospital privatizations or acquisitions. But you will recall that the larger moves by Helios were always larger number of hospitals that we bought bundled as part of a transaction. Think of Humane. Think of Damp. Last but not least, think of Rhön. And always, there were a few hospitals in there that strategically were more of a questionable nature. You will have also heard and seen us go about clustering and focusing on medical specialties, looking at minimum case numbers in the recent past. And therefore, when there were a few borderline hospitals already before, they are even a bit more in the limelight now. However, the number of those situations is limited. And secondly, I would say this is something that we have done more or less silently already in the past.

Lastly, as to your answer on the first question, you're talking about closing of hospitals. That obviously would not be my priority, and it also in my mind is a lesser probability. In most of the instances, there is going to be a market for any hospital where we feel it does not fit into our hospital portfolio. And therefore, I would expect that, if we reached a conclusion and did see a revision of our hospital portfolio, then it would end up being cash flow positive and potentially book value negative.

On your third point, your observation is absolutely accurate. However, I also do believe that, whilst we, Helios in particular, but also the other private hospital operators, have done more than our fair share in combating COVID, there is still the public perception these days that the large -- overly large hospital infrastructure in Germany has prevented something worse from happening to German citizens. And therefore, politicians, despite the fact that finances are constrained, are hard pressed to go about privatization. I would much rather expect that we may see further acquisition targets out of already -- consisting of already privatized hospitals and/or church-owned hospital, like we did the Order of Malta acquisitions over the course of last year. But we have not -- in our constant currency projection for this year, we have not built in any contributions from acquisitions that we have not announced yet.

Rachel, organic growth?

Rachel Empey: So, Oliver, your question, again, thank you for your optimism. But there's 2 or 3 things I would like to point out. So you are right, I would say, with the observation that we, of course, have given, as I mentioned in my speech, relatively broad ranges for the guidances. And specifically for the Helios organic revenue growth, we are guiding you to low to mid-single-digit growth, which I completely understand is a relatively broad range. But 2 or 3 things I think that are very relevant here.

Firstly, and I'm afraid I need to remind you that we are expecting significantly meaningfully less support from the government, specifically here mostly the German government, in 2021 in comparison to 2020, yet we are still expecting significantly meaningful negative effects from COVID-19. And clearly, I would say this is the biggest moving part in terms of the development of the Helios business year-on-year. And of course, it has a larger impact in terms of percentage points on the EBIT line, particularly through the high operating leverage effect, but there is still, nevertheless, an effect on the top line which is not insignificant.

I think specifically, also, if you look across both Germany and Spain, you mentioned that Spain has some weaker comparisons from 2020. So that should lead to some kind of accelerated growth in '21. I would say that is true, but only to some extent. Clearly, they suffered a 14% decline in organic sales growth in the second quarter, but quite

astonishingly strong 10% and 11% growth, respectively, in the third and the fourth quarter, as we saw a little bit of pent-up demand, particularly in the outpatient space that meant that, for the full year, Spanish business was still able to deliver 2% organic growth. So although clearly a negative EBIT growth, still growing on the top line, meaning that, actually, from a comparative perspective, I admit it is a weaker comp, but it is not maybe as weak as one might anticipate.

And I think also important, there is a lot of uncertainty in the assumptions that we have made. We are still seeing significant negative impacts already in the first quarter of 2021. We have not assumed significant catchup effect in 2021 from the patients that were not treated in 2020. And of course, to some extent, we think that there will be a little bit of a shake down as patients to some extent move from an acute care setting into an outpatient setting and from an outpatient setting into a digital setting. And exactly how that will flow through in 2021 has a lot to do with the patient confidence that I was describing in my earlier answer to the question on the vaccination levels.

So I think that we believe the low to mid-single-digit organic growth for Helios is a balanced guidance, recognizing significant uncertainty, but at the same time recognizing significantly less contribution from government support and clearly not necessarily as weak of comps as you might imagine, given the very strong performance we've seen from our Spanish colleagues in the third and fourth quarter of 2020.

Oliver Metzger: Okay. Great. Thank you for the detailed answer.

Falko Friedrichs: Thank you. Good afternoon. I have 2 quick questions left, please. The first one is a follow up on Oliver's question on Helios. So based on your discussions with the government, do you see a possibility for any additional government support packages, so beyond what you're currently getting, in either Germany or maybe even Spain this year, or do you think that that is rather unlikely?

And then secondly, there's obviously a big election coming up in Germany later this year. Do you expect any regulatory changes to your German hospital business to potentially come out of this?

Stephan Sturm: Falko, thank you. On your first question, we shouldn't be overly pessimistic, but at the same time, I believe, if our base assumption is accurate with a gradual improvement of the overall situation, I fail to see that there is going to be more government support coming. In Germany, I would not rule out that the current safety net that runs until the 21st of April, if I'm not mistaken, may see an extension for another few weeks. I believe that needs to be judged against the infection rate at -- say, in 4 weeks' time. In Spain, I am extremely hesitant. If something materialized, it would be upside to our current projections.

On the German federal election, I -- no, I do not see any groundbreaking impact from, frankly, any outcome of this election. Hospitals are primarily local municipal affairs. And the amount of federal rule making is rather limited.

We've seen the federal government having played a role in this safety net that was put up. But I would hope that, come the time of the federal election, we're looking at a more normalized COVID environment. Thank you.

Falko Friedrichs: Thank you.

Christoph Gretler: Thank you, operator. Good afternoon, Stephan, Rachel. I still have actually 3 questions. The first is with respect to the review of your corporate structure. So actually, who's the driver behind this process? If I listened to you, Stephan, it didn't strike me as you were the one behind the process. So on the board level, I understand we are in a transition of Supervisory Chairman. Is this shareholder, foundation driven, or

are we having activist shareholder we are not aware of? So that would be my first question. And I have 2 follow ups, if you want to go one by one.

Stephan Sturm: Christoph, this is the Management Board and exclusively the Management Board, without any external catalyst.

Christoph Gretler: Okay. The second question relates to the leverage. I think, Rachel, you mentioned that you don't expect it to come down in '21, yet basically, you don't really pay a super high dividend. We all appreciate, obviously, the dividend increase. And you have now the Eugin cash out. But what's basically preventing you from getting this leverage down further this year?

Rachel Empey: Christoph, I think 2 relatively simple answers to that question. Clearly, leverage is a ratio between net debt and EBITDA. And at EBITDA level, we consolidate Fresenius Medical Care 100%. And they have clearly guided to a negative mid-teens to negative 20s net income development. So you can image their potential development of EBITDA looks not completely dissimilar to their development of net income. So given that we need to absorb that very significant impact to the EBITDA, and the same time, the second point, what I mentioned when I was describing the cash flow for 2020, we need to absorb the reversal of the very strong cash prepayments that we've seen in 2020, predominantly at Fresenius Medical Care, also within the cash flow in 2021. And that obviously is a nonperiod adjustment, if you like, which is obviously then impacting the other side of that equation, which is the net debt.

So we have a year-on-year annualization effect, if you like, on net debt and, at the same time, need to absorb a very significant decline in EBITDA. Doesn't mean that the underlying development of the business isn't strong and that we would be able to delever without those effects, but unfortunately, they are mostly Fresenius Medical Care-driven effects, and we need to absorb them in 2021, which unfortunately means we will not be able to delever this year.

Christoph Gretler: Okay. Yes, that's very fair. And then the last question is on midterm targets. I think, if I look at your guidance for this year, let's say, broadly flat, and then last year, let's take out the COVID impact, you were maybe up 4% or so at midpoint. So the 5% to 9% is really kind of a pretty aggressive acceleration that's implied. Could you, again, first of all, clarify that this midterm guidance includes the COVID impact or not? And then just basically maybe make a waterfall how we get to this very high single-digit or even mid-teens earnings growth in '22, '23? Maybe I understand the biosimilars, but what else if you could qualify the key elements behind this now very substantial earnings growth acceleration?

Stephan Sturm: Christoph, we set these medium-term targets as CAGRs in early '19. Obviously, '19 and '20 were short of our expectations. '21 in all likelihood is also going to be short of our expectations. We did not know anything about a global pandemic at the time we set those targets. And therefore, you can safely assume that, everything else being equal, where we saw ourselves in that range, that has now moved down. And there is less of a safety cushion to accomplish these targets, which is why we have now chosen the word "safeguard" the medium-term targets that -- by the cost efficiency program.

And that is meant to convey that, yes, we still believe that we can make those medium-term targets also without the cost-efficiency program. But given the ongoing uncertainty, we feel more comfortable doing something extra, which then will also have a more lasting effect beyond just us achieving the medium-term targets.

That the growth within that timeframe that we specified was -- would be more backend loaded, that is a -- that was clear right from the beginning. We were talking about 2019 being our investment year, where we wanted to lay the foundation for extra growth in dialysis in China, where we wanted to lay the foundation in more accountable care

models for FMC in the US, where we were investing in the plant expansion in the US, where we saw the launch of our infusion solution, infusion pump product range for Kabi in North America, where we saw more revenue and profit coming out of enteral nutrition in China with the arrival of the food for special medical purposes product range there.

But if we just want to stick to biosimilars for a minute, you know that our EBIT burden broad brush runs at €150 million per annum. Put a tax rate of approximately -- looking at Rachel -- 25% on it. You have a triple-digit net income effect. And that is a key driver of the expected acceleration of earnings growth.

Again, we continue to believe that we have a good chance to make it. We will improve those chances by going about our cost-efficiency program. Thank you.

Christoph Gretler: Okay. Thank you.

Operator: And there are no more questions at this time. I hand back to Stephan for closing comments.

Stephan Sturm: Thank you, Hayley. Thank you, all, for your patience while listening through our prepared remarks, but also, we've had 10 of you asking questions, very good, very detailed questions. And I hope that, given the circumstances, our answers were also satisfactory.

We will meet many of you, Rachel more on the sell side, I more on the buy side, over the coming days. And I'm looking forward to shed some more light on our thinking. Once again, thank you for your interest in Fresenius. Be safe. Take care.