

Transcript Conference Call Q1 2020 results

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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 first quarter 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.

With that, 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. So let's move right to **Page 3** with an update on what is currently on all of our minds. The COVID-19 pandemic is unprecedented and poses significant challenges for all of us. Our mission here at Fresenius has never been more important. We are offering better and affordable healthcare to ever more people. In this truly challenging environment, Fresenius' unique spirit has become even more visible. Our doctors, nurses, and care staff around the globe are working with incredible motivation to combat the pandemic. I hope you don't mind me taking this opportunity to thank them for their tremendous efforts and their dedication.

At the same time, all of our employees, be it in production, logistics, or admin, are currently making an exceptional contribution to containing and fighting COVID. I am very grateful for their extraordinary commitment and immensely proud to see day in and day out the difference their work makes. Having said that, we are dedicated to safeguarding our employees' health. And so we have implemented and we do enforce hygiene standards at even higher levels than before, for the sake of our staff, but also for the sake of our patients, as we need to ensure steady operations at our manufacturing and service facilities. And thank God we have seen only few and dispersed cases of infection among our staff, and hence, virtually none of our facilities have been facing a meaningful interruption. We're working hard to keep it that way.

As a healthcare company, we have a special responsibility that we will live up to also during these testing times. So we have not only undertaken comprehensive measures to combat the pandemic in our hospitals in Germany and Spain. We have also significantly scaled up our worldwide production to maximize the supply of drugs and devices for the treatment of COVID-19 patients. Moreover, in line with the purpose and mission of our company, we have committed ourselves to keeping prices for essential drugs for COVID-19 patients stable during this pandemic.

With regards to the financial impact of COVID-19, it is just too early to quantify the effects. We cannot and should not speculate on the magnitude and length of the pandemic and thus what the global economic consequences and the impact on our business will be. But I think it is fair to say that we have proven resilient in this crisis in the first quarter. I'd call it a very solid start to 2020, as the underlying business performance has been very strong indeed.

COVID effects have varied quite meaningfully in timing, direction, and magnitude across our four businesses. With all the uncertainties and gray zones when trying to quantify them, we still estimate that, in Q1, the pandemic had an insignificant negative effect on sales growth, but a significant negative effect on net income growth. And thus, excluding COVID-19, we probably would've been slightly above the upper end of our net income guidance range for the full year.

Hence, I don't see a reason to remove or change our guidance from February, which for good order did not consider effects of the COVID-19 pandemic. Much rather, we are maintaining our guidance and view that as a passive confirmation. Clearly, we are not able to forecast let alone quantify future COVID-19 effects. And hence, the guidance from February is somewhat artificial. Please bear with us. We aim to provide you with a real-life guidance incorporating a reliable assessment of COVID-19 effects when we communicate our Q2 results.

So Fresenius is in excellent shape to weather the storm, no pun intended. We operate a geographically well-diversified and vertically integrated business in structurally growing markets. And we are no doubt part of the critical infrastructure in our global markets. And that provides us with sustainable access to liquidity and capital and hence, also during these exceptional times, with a rock-solid financial position.

Onto **Slide 4** and an update on Fresenius Kabi. What you see is our attempt to comprehensively illustrate the major developments here to date and to get you a sense which dynamics need to be monitored in the remainder of 2020. As I said, COVID effects have varied quite meaningfully in timing, direction, and magnitude. So as you would expect, take green as a more positive, red as a more negative, and gray as a neutral. You see some expected fading, also some anticipated trend reversals.

I don't want to comment on every single arrow, but the main takeaways are the anticipated softness in China, which lasted for most of Q1, driven by fewer elective surgeries and prolonged production shutdowns. From late in the quarter, we have seen a gradual resumption towards normal operations.

These headwinds were partially compensated by a spike in demand for drugs and devices for COVID-19 patients in Europe and North America. In particular, we have seen significantly increased demand for sedatives, pain killers, and infusion pumps. Our supplies were not entirely utilized, and some of it clearly went into increased safety stock.

So how should we think about the remainder of 2020? I currently expect COVID-19-driven extra demand in Europe and North America to last into Q2. However, taking the patient numbers at our facilities, which I'm going to show you in a minute, if we take those as a proxy, the demand spikes for March should -- actually must not be extrapolated. At the same time, elective surgeries remain well below their normal levels. And higher expenses for raw materials, logistics, and staff protection are likely to stay for longer. Having said that, a healthy capacity utilization in combination with SG&A savings should help mitigate those. In total, my best guess right now is that Q2 financial performance at Kabi will be broadly in line with Q1.

Over to **Slide 5** and a brief case study of the excellent crisis management of my colleagues at Fresenius Kabi. They reacted swiftly with lots of entrepreneurial spirit and managed to keep all plants going, despite these unprecedented challenges. In particular, all our API plants continued uninterrupted operations.

I know that there had been some market rumors about major production interruptions, especially with regards to our plant in Northern Italy, which you see top right on the slide. I want to take this opportunity to confirm that the early and proactive implementation of contingency measures, coupled with the outstanding engagement of our employees, secured the production of our vital products, which are now needed more than ever.

With that, let's turn to **Slide 6** with an overview of the very different dynamics of the pandemic at our hospitals in Germany and Spain. We have deliberately used identical scales for both graphs. Helios Germany on the left. Currently, only around 300 COVID patients are treated in our 86 hospitals, down more than a third from the peak mid-April. Around 25% of our COVID patients in Germany require ICU treatment. So less than 10% of our ICU beds have been and are occupied by them.

Quirónsalud in Spain on the right. From a peak of more than 4,000 in late March, the number of daily COVID patients is down more than 60%. At the same time, our hospitals continue to be governed by the state of alarm regulations and hence are pretty much prohibited from performing elective surgery. Pretty much the same applies in Germany.

So for a while now, we have argued with the relevant officials that the guiding principle they have imposed on us needs to be reversed. When so far we have been prohibited from performing elective surgeries in order to reserve capacities for COVID patients, we now need to get to an imperative that we can and should perform elective surgeries, as long as we can provide sufficient capacities for COVID patients. We are backing this up, backing up our thesis by various initiatives, an independent COVID register jointly run with scientific partners, our own model, to project the further spreading of the pandemic with daily updates and, as a founding partner of IQM, we have initiated a broad study involving approximately 400 hospitals on the collateral damage of delayed elective surgery. Germany's Federal Ministry of Health has recognized that. And we expect to see an initially cautious restart of elective procedures, but with gradual step-ups, obviously subject to constant monitoring.

Hence, onto **Slide 7** with an update on Helios Germany, where we had a strong start to the year. Our hospitals and outpatient centers showed healthy admission growth, testament to our significant investments in recent years and the various measures we initiated.

But then came the coronavirus. And so since mid-March, as requested by and in close cooperation with the German government, we have postponed surgical procedures whenever medically justifiable. The freed-up capacity has been reserved for the imminent treatment of COVID patients. And in parallel, Helios Germany has increased the number of ICU beds in its network by two-thirds from 900 to more than 1,500. The law to ease the financial burden on hospitals mitigated most of the negative sales and cost effects in Q1. And whilst we generally welcome this regulation, we also see some aspects that should be reconsidered. The government has mandated an expert panel to review the appropriateness of the current compensation scheme, and we don't think improvements and an extension beyond the end of Q3 are highly likely, but at the same time would not be surprised if those came about.

Onto **Slide 8** with an overview of the dynamics at Quirónsalud. Just as for our German hospital business, we have seen a strong January and February. In case of Helios Spain, growth was additionally fueled by incremental contributions from our recent acquisitions in Latin America. And then March was significantly impacted by COVID.

Quirónsalud has made an exceptional effort to fight the pandemic. Until the end of April, we have treated about 15,000 COVID inpatients in our hospital beds, including approximately 1,400 patients in ICU beds. This represents approximately 13% of all of the Spanish inpatients. And this is then about 2.5 to 3x our overall bed share in Spain. In the Madrid region, through our network of 10 hospitals, we have treated about 19% of total hospitalized COVID patients and, in the Barcelona province, very similar, about 18% through our seven hospitals. In order to do this, during the first weeks of the crisis, we increased capacity, adding more than 1,400 new beds, including another 400 ICU beds, doubling our initial ICU capacity in Spain.

Quirónsalud's commitment during this crisis has been widely appreciated. And we have received numerous external recognitions for our efforts, including from regional healthcare authorities thanking Quirónsalud for its full collaboration. Quirónsalud Spain has also helped our colleagues in Peru and Colombia. At end of April, our LatAm hospitals had about 125 COVID inpatients. And since the pandemic wave arrived later to Latin America than to Spain, we have organized several calls and webinars to share experiences, medical protocols, and best practices with them so that they can get prepared ahead of time.

As I said earlier, we are expecting that the return to normal hospital operations will take a bit longer. But it will definitely come. And without any doubt, also in Spain, postponed elective surgeries need to be treated with the associated catch-up effects.

All of Quirónsalud's efforts, in particular forgone elective treatments, unmitigated fixed costs, and increased costs for the protection of our staff and medical devices have led to a very significant negative EBIT effect in Q1. In contrast to Germany, no financial aid program for hospitals has been agreed at this stage. However, very recently, the Spanish government has announced a new program of €16 billion nonrefundable to be transferred to the 17 regions, of which €10 billion are to cover healthcare costs. Given its significant population and the fact that it has been the most affected area in Spain, Madrid should receive a relevant amount. And if that is the case, we should be compensated following the large proportion of patients treated by Quirónsalud.

Having said all that, it is still too early to know, and I really would not speculate at the moment. So the second quarter will be the most affected quarter by COVID. It actually could be similar to a typical summer quarter, with April probably being at the bottom and hopefully for gradual improvement from there. Our hospitals are most affected, ORPs less, and we would hope for some recovery in the third and fourth quarter, even recovering some of the activity lost during the COVID period following the lockdown and the need to treat non-COVID patients. In summary, we would expect to get clarity -- more clarity over the next few months and are hoping for a fair treatment.

With that, over to **Slide 9** and an update on Fresenius Vamed. To evaluate the impact of COVID-19 on Vamed's business, we should distinguish between the project and the service business.

Project business is marked by an increasing amount of uncertainty, leading to delays, postponements, as well as a few cancellations to date. These are accompanied by general execution delays due to the global COVID-19-related travel and quarantine restrictions, as well as supply chain constraints. We would expect this trend to last long into the second half of this year, but obviously very much dependent on the further development of the pandemic.

The service business is also severely impacted. We see, on the one hand, less demand for rehabilitation services due to postponed elective surgeries and health authority-induced closures of selected rehabilitation facilities. On the other hand, health authorities have enforced the closure of all our medical wellness resorts. For that forgone income, however, we expect to see at least a partial reimbursement, which may vary significantly dependent on which market we are talking about, Germany, Austria, Switzerland, the Czech Republic, etc.

The technical services business is not significantly affected by COVID-19, even though, also there, we see some negative effects from postponed elective treatments.

Taking that all together, COVID-19 weighs on nearly each stage of Vamed's value chain. And from the current perspective and without being able to accurately quantify the COVID-19 effect, it may well be that Vamed shows the most significant negative impact on Group net income this year.

Onto **Slide 10** and some operational highlights apart from all the dominant COVID-19 topic. Starting with Kabi, and on a positive note, we are making progress in our biosimilars business in line with our expectations. Sales of our first product IDACIO are developing in line or even slightly above our expectations.

However, also here, COVID-19 has a specific impact on that business. And even though we are successful in winning fairly meaningful tenders, for instance, Italy and the UK, we see that the coronavirus could potentially weigh on demand, given the immune system-suppressing pharmacological effects of adalimumab. And obviously, our sales reps cannot make all their visits as planned.

For our biosimilar candidate of Neulasta, pegfilgrastim, we have, as expected, submitted the Biologics License Application to the FDA. And for tocilizumab, the biosimilar to Actemra, we are to the best of our knowledge the only company that has applied for both the IV and subcutaneous admin. Subcut is from the current perspective the meaningfully larger opportunity for us. And our work with the regulators is ongoing, and we still expect to launch tocilizumab in the US and in Europe in 2023.

Over to Kabi's North American business, where with two product launches year-to-date, we expect to see, as guided, 15+ for the full year. And our pipeline is continuously strengthened. As of the end of March, we had 56 files pending with the FDA.

Briefly on Akorn, and as you may have seen, we have already last year filed an action for damages and do expect the decision of the Delaware court imminently.

Briefly onto our TCT business, where we've seen great growth momentum in the first quarter, a nice confirmation of our strategic decision to maintain that business in the Fresenius Group.

At Helios, Curalie, Helios' digital company, acquired DGG Group end of February. And ever since, a full digital feature set is offered to treat chronically ill patients, so for

instance, a video call, video chat, treatment plans, you name it. Given the current treatment restrictions and infection risks with regard to COVID-19, there are significant challenges for the chronically ill to visit local medical practices. And particularly for these patients, digital healthcare offerings can and will be an attractive alternative.

With regard to our expansion into Latin America, we successfully closed our most recent transaction, and Imbanaco is consolidated from March 1st onwards.

Let me close with **Slide 11** and a great example of the unique Fresenius spirit. Our employees acted with compassion where help and support for those in need was called for. And for example, a team of German doctors and nurses volunteered to travel to Spain to help our colleagues in the darkest days of the crisis. And they were living up to our mission and are a great example of the spirit of all our doctors, nurses, and frontline workers. And in these days, I received an email from one of these colleagues with the photo shown on the left-hand side of this slide. It shows a patient who was just released from the ICU and could be transferred to a normal ward. I think you can see the relief in the eyes of the patient and the joy in the eyes of our employees even through the masks. I believe this is a great example of the dedication of our workforce, definitely our heroes of the hour. But frankly, this is also testament to what a global and integrated healthcare group can do. And I think it's going to show the way going forward, where a large group can transfer resources to where they are needed most.

With that, I'm happy to hand over to Rachel. Thank you for now.

Rachel Empey: Thank you, Stephan. A warm welcome to everyone also from me. In light of the unprecedented challenges presented by COVID-19, I believe our Q1 results highlight the resilience of our businesses across the globe.

We've also demonstrated financial strength with sustained excellent access to the capital and credit markets in these exceptional times. We can hence afford to continue to balance financial discipline with investments into growth. Now with that, let's have a closer look at the Q1 results.

The results for this quarter are shown on a reported basis excluding special items. They include COVID-19 effects, and thus, they not comparable with our guidance. We will give some indicative, directional commentary on our estimates for the impact of the pandemic in Q1. However, in a very dynamic environment, with direct but also many indirect operational, practical, and wider financial consequences, we feel it is impossible to accurately categorize them all to give a precise financial impact on our reported or our forecasted figures.

A comprehensive overview of all special items is provided at the back of our Investor News and in the Results Center on our website.

With all of that, let's switch to **Page 13** and the key financials. Growth rates on this slide are on a constant currency basis. So we had a good start to the year with 7% sales growth. Our underlying business performance was strong. Even in these challenging times, all our four business segments contributed to the growth. COVID-19 had only a slight negative effect on sales growth in the quarter.

EBIT showed a decline of 2% in Q1, driven by negative COVID-19 effects. In general, the missing sales effects flowed through and were exacerbated by incremental COVID-driven expenses, for example in our production sites and supply chains.

Interest decreased year-on-year by 4% in constant currency to €174 million, mainly driven by our successful refinancing activities. That's in line with our expectations. But given the extra financing measures in light of COVID-19 uncertainties and increased

interest rates, we now expect to see interest expenses for the full year to be roughly at the prior year level.

The group tax rate before special items was 22.6% in Q1, broadly in line with our expectations. And for the full year, we're still expecting a tax rate between 23% and 24%.

Moving onto net income, we showed 1% growth in Q1. And in contrast to our expectations from the end of February, COVID had a significant negative effect on the net income growth. Thus, as you heard from Stephan, excluding our estimated COVID-19 effects, we would and could have even been slightly above the upper end of our guidance range.

Having said that, Q1 is by no means a good proxy for the growth rates for the full year. In Q2, with probably the entire quarter affected in pretty much all of our geographies, we do expect to see even more pronounced negative COVID-19 effect. We do, however, expect a normalization and catchup effects. But when those will start is obviously heavily dependent on the magnitude and duration of the pandemic. So in a nutshell, a robust Q1, strong underlying performance. However, our current view on COVID-19, we are expecting a weaker Q2. The pandemic is far from over, and we are facing many uncertainties during the coming quarters, which makes it impossible to give a reliable guidance for 2020 at this stage. Hence, we hope to have better visibility during the course of the coming months and will revisit our guidance on the occasion of our Q2 results.

Let's move to **Page 14**, which illustrates the momentum of our four business segments in the first quarter. Starting with Kabi, company had a good start to the year as far as the top line is concerned, showing 6% organic sales growth with a strong underlying performance across the regions.

The tailwind from the spike in demand for drugs and devices to treat COVID patients was kicking in late Q1 in Europe and the US. It was largely offset by the anticipated headwinds that we saw in China for most of Q1. Thus, COVID-19 had an insignificant effect on Kabi sales growth for the first quarter.

Moving onto Kabi's EBIT, where we've seen a decline of 5%. COVID had a moderate negative effect on EBIT growth. So we probably would have been towards the top end of our full year guidance range without COVID effects. Those effects on the top line flowed through, of course, with a more pronounced percentage impact on EBIT, combined with additional COVID-driven expenses in manufacturing and logistics. So moderate positive COVID-19 effects in North America coupled with significant positive effects in Europe were more than outweighed by very significant negative EBIT effects in China, some of which fell in our JV with Sinopharm and hence led to a partially mitigated net income effect.

Then Helios, which showed 5% organic sales growth in Q1, despite meaningful forgone revenue in March, given our comprehensive efforts to combat the COVID-19 pandemic in Germany and Spain. The situation in Germany was mostly mitigated by the law to ease the burden for hospitals. Thus, COVID-19 had an insignificant effect on the 8% organic sales growth we saw in Germany. Germany had a very strong start to the year, with January and February showing excellent admissions growth, testament that our various initiatives over the last 2 years are materializing. The strong year-on-year growth was also supported by price effects and a soft prior year comp. The soft 1% organic growth in Spain was, however, already significantly negatively affected by COVID-19. In Spain, we also saw a strong January and February, but a March heavily impacted by the pandemic. Excluding our estimate of the COVID-19 effects, we would have been well above our historical organic sales growth range of 4% to 6%.

Over to EBIT, where we saw a 2% increase for Fresenius Helios in Q1. In Germany, we have seen also EBIT-wise an insignificant COVID-19 effect, whilst Spain showed very significant negative effects. Helios Spain operating leverage turned against us, fixed costs at underutilized facilities, as we see in an average August.

The excellent EBIT growth of 11% in Germany was driven by the top line and supported by the operating leverage effect and a soft prior year comp. The 7% EBIT decline in Spain was completely driven by COVID-19, given the state of alarm and enforcement of postponements of elective treatments in March. Excluding the estimated COVID effects, Helios Spain could have shown its normal healthy EBIT growth. Having said that, Q1 is clearly not a good proxy for Q2 and the rest of the year. We expect Q2 to be COVID affected throughout the quarter. Nevertheless, we hope to see the resumption and partial catchup of elective procedures during the course of the rest of the year. In addition, I see it as only fair that we'll be able to agree on an appropriate reimbursement to compensate for the significant impact we have shouldered to ensure contribution to the Spanish national effort to combat this disease.

Vamed showed a strong organic sales growth of 10% in Q1. Both the project and service business contributed to the organic growth. And here, COVID had only a slight negative effect in Q1. However, on the EBIT line, there was a significant negative impact on growth, despite being a predominantly March effect.

Delays in both running projects, but also in project development and order entry here giving us an indication for the months to come. We are anticipating ongoing COVID-19 trends which are likely to very significantly impact Vamed's business in Q2, but also for the whole of 2020. And as Stephan described earlier, a lot of uncertainties in the upcoming months and quarters.

Let's turn to **Slide 15** and a closer look at our investments into future growth. All our businesses continue to offer many opportunities for growth, and we will continue to invest to seize those. For example, Fresenius Kabi has made significant, future-orientated investments in recent years, investments that especially now are crucial.

At Kabi, the increased level of automation and the expanded capacities have enabled an increased supply of essential drugs during the pandemic and for the treatment of more patients worldwide. At Helios, the continuous investments into medical technology, process optimizations, and the strengthening of our staff are now paying off. Our hospitals remain at the forefront of combating the pandemic, and our doctors and nurses and care personnel are doing an extraordinary job.

Due to the physical and practical constraints enforced because of the pandemic, we may see some CapEx projects delayed, for example from this year into next. Nevertheless, we will return to our historical CapEx-to-sales ratio of 5% to 6% within the next couple of years.

Let's move onto **Slide 16** and to cash flow. A good Q1 took the full year group operating cash flow to €878 million. We have seen a broad-based positive development across most of the group. And although difficult to estimate, we believe that COVID-19 had an insignificant effect on cash flow in Q1.

At Fresenius Medical Care, the strong year-on-year increase was mainly driven by good working capital development, particularly in collections. Kabi posted a strong Q1 cash flow of €174 million, with a healthy margin of 9.7%. It took the last 12 months' margin to 15.1%, here again, on the back of a good working capital management. Helios also had a good cash flow in Q1, driven by a strong operating business in Germany and healthy underlying business performance in Spain.

Vamed's cash flow is negative, mainly due to continuing phasing effects and some delays in the international project business, as well as some working capital buildup. The expected positive cash flow for 2020 is now unlikely to materialize due to the ongoing pressure from COVID-19.

So for the group as a whole, Q1 performance took the group last 12 months' margin to 13.5%. And if you deduct group CapEx of 7% in the middle column, you'll arrive at a free cash flow margin in the bottom right of 6.4%. And as I said, we do expect some delays in CapEx spending this year. So we will likely see some lower investment spending as we go through the year.

Let's turn to **Page 17** for a view on a couple of key points related to the group's financial position. With a combination of a globally diversified business in growing noncyclical markets and our proven track record of deleveraging, we feel very comfortable with our longstanding net debt-to-EBITDA target range of 3 to 3.5x. We continue to be fully committed to that range, also during these special times.

Our strong financial position is supported by a long-term, well-balanced, and diversified portfolio of debt instruments with maturities out to 2032. We have a reported net debt position of around €28.6 billion, of which around a quarter are lease liabilities.

The average maturity of our debt book is around 3.5 years, taking into account the bond that we issued in April. In the backup of our presentation, we've included a comprehensive overview of the FSE and Fresenius Medical Care maturities, given some inaccuracies at some financial data providers.

Our long-term refinancing needs for 2020 are very limited. For the FSE, we have addressed all long-term financing needs for 2020 with two €750 million bond issuances so far this year, showing our ability to access markets also in difficult times. With some volatility in the commercial paper market, we have also thus shifted our mix towards longer maturities and enhanced our flexibility.

We further demonstrated Fresenius' excellent reputation and strong, reliable banking relationships by adding more than €1.5 billion of committed bilateral credit lines since the end of March. We have taken a prudent approach to the current uncertainties and have thus further enhanced our already comfortable financial cushion for the group to more than €5.5 billion plus our available cash. With that, we feel well prepared and comfortable.

Fresenius is rated investment grade by the three main agencies. In early April, Fitch affirmed our investment-grade rating at BBB-minus with a stable outlook, and they highlighting our well-diversified business model of noncyclical and cash generating healthcare assets as well as our commitment to the leverage target.

We will continue to actively monitor any potential knock-on financial impacts of the pandemic, for example, changing currency movements, risk premia for emerging markets, and the potential need for balance sheet revaluations, including looking at goodwill.

The financial covenants in Fresenius Group's financing instruments are also continuously and closely monitored. We have ample headroom under the only meaningful covenant in our debt portfolio, which is that in the Fresenius Credit Agreement.

In summary, I am very comfortable with our financial cushion, our maturity profile, and our financing flexibility. Our position provides a very solid basis to support our successful organic and inorganic growth track record and to serve our patients around the globe.

With that, Stephan and I are very happy to take your questions. Thank you.

Question & Answer Session

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

Veronika Dubajova: Good afternoon, Rachel, Stephan. Thank you for taking my questions. I have two, please. The first one is a big picture question on the guidance. Just curious, of course, there's a lot of uncertainties and moving parts when it comes to COVID, but just curious, does COVID -- your thoughts on whether COVID completely prevents you from being in the 1% to 5% target range that you have, or do you see possibility for delivering within that guidance range, even with the impact of COVID-19? That's my first question. And then I have a follow up after that if that's all right.

Stephan Sturm: Veronika, there are, as we tried to illustrate, lots of puts and takes and very meaningful uncertainties, in particular with regard to unresolved reimbursement issues in particular at Helios in Spain and also at Vamed. Do I -- you I think with quite some vigor accentuated completely in your question. And therefore, I want to take that up, and I want to say, no, I cannot completely rule it out. On the other hand, do I think it is likely, and has the likelihood increased since we provided that guidance originally end of February, as you would expect, very obviously not. I think the coming weeks and months are going to be very telling. We will have much more transparency. And I would like to ask you for your patience until the end of July, please.

Veronika Dubajova: Thank you, Stephan. And then my second question is on the increased demand that you're seeing for Kabi North America. Just curious if you have a sense for what proportion of the growth that you saw in March was stocking versus underlying demand. And maybe give us a little bit of insight into the trends that you've seen in April when it comes to that business. Thank you.

Stephan Sturm: Veronika, with the attempt being helpful, I still cannot with any certainty get you a quantified breakdown. The more qualitative remark that I made earlier that some of our supplies clearly went into enhanced safety stock, I think that is as far as I can go. We were seeing clearly a peak demand in the second half of March. I would describe April with all cautiousness as being above what we had expected, but at the same time slightly below those elevated levels towards the end of Q1, hence also my carefully chosen remarks earlier.

Veronika Dubajova: That's very helpful. Thank you, both.

Stephan Sturm: Thanks, Veronika.

Tom Jones: Good afternoon, Stephan and Rachel. I had two questions. The first, I just wanted to ask a little bit more about the situation in Spain regarding the additional money that's finding its way into the system. I may have misheard you, but I think I heard you say you treated or have currently so far treated about 13% of the hospitalized COVID patients in the US -- sorry, in Spain. Would it therefore --

Stephan Sturm: Tom, before you go on, 13%, 1-3, not 3-0.

Tom Jones: Yes, certainly. So would it be reasonable to expect at least a decent chunk of 13% of that €10 billion might find its way to you, or is that way too -- an optimistic assumption? And if not, perhaps why not, given if you've treated 13% of the patients, you've probably incurred close to 13% of the cost? So some thoughts there would be helpful.

And then a question for Rachel, on **Slide 17**, you mentioned under the current covenants under the Fresenius Credit Agreement that you think you have sufficient headroom. May I be so cheeky as to ask, sufficient for what, sufficient for the situation as it sits today, a situation that resolves in the next month, an extended downturn, another spike in

infections later in the year? Just some quantitative -- sorry, qualitative commentary around that would be helpful I think.

Stephan Sturm: Tom, with regard to your first question, the long and the short of it is I do not want to speculate. This is a very recent development. I am led to believe that there are also discussions between Madrid and Brussels. The number of €10 billion has been mentioned. I am working on the assumption that this would not only comprise treatment of COVID patients at hospitals, but also outpatient treatments and other forms of expenses that were incurred by the system. But I can confirm the number of 13%, i.e. substantially ahead of our market share. And I will not rely on being fairly treated, but very obviously, I think it would be absolutely appropriate.

Rachel Empey: Tom, thanks for the question on the financial position. Maybe, as you asked maybe a little bit more of a qualitative comment from me, I think we've demonstrated nicely in Q1 that we have a resilient business, a diversified business, strong business model. We have a proven track record of being able to generate cash very well to delever and to manage our balance sheet position and to have access to the market. So I think that backdrop is very important to my comments.

Clearly, I can't foresee what I don't know. But at the same time, you can imagine that we regularly and particularly in these times look at a variety of scenarios, from moderate to more extreme scenarios. And that includes in this instance, of course, potential outcomes of the COVID pandemic itself and also further knock-on implications from a financial markets and capital markets perspective. And it is within that context that we feel comfortable with absolutely sufficient headroom in terms of the covenant position that we see. I don't see it as an issue in the context of any of those scenarios that we've considered.

Tom Jones: Okay. That makes sense. And maybe just a sort of follow-up question on debt more generally. How has your experience over the last couple of months tempered, if at all, your views on using debt as a route of finance? It's been very cheap over the years, but debt has another cost, which a lot of companies are finding out now. Fresenius has always been a company that's been an active user of the credit markets. Going forward, do you think this perhaps tempers your risk appetite for debt-funded transactions a little bit, or do you think it doesn't really change the overall landscape?

Stephan Sturm: Tom, if I may, I would step in here because I sense that what is in the background to your question. And I just want to make it very clear that issuing equity is not an option that we are contemplating, as much as we are growth orientated.

I would say, just as much, I want to refer back to what Rachel was saying about delays unfortunately in CapEx spending. I think that goes hand in hand with a debt financing environment that has not been as accommodating as a little while back. And therefore, I would say the two phenomena go hand in hand.

I want to use the opportunity to go back to your first question, Tom. And I just would like to add that the entire focus of the company, be it at Quirónsalud in Spain, be it at Helios, and also at Fresenius, has been on doing the right thing at a time of crisis. And we were helping patients as best we could regardless of reimbursement and subsequent compensation. We are in this for the long term. We have a commitment. We have a responsibility. And therefore, I want to ask for your understanding that, whilst we recognize that we obviously also have a responsibility to our shareholders, deliberations, conversations, discussions with regard to what may be viewed as a fair treatment are only ever so gently starting now and will, again, take a backseat if, God forbid, the pandemic returns with more force. Sorry, but I wanted to add that to my earlier statements.

Tom Jones: That's all very clear and very helpful. I'll get back in the queue.

Stephan Sturm: Thank you.

Ed Ridley-Day: Good afternoon. Thank you very much. And fantastic to see everything that you're doing, particularly in Germany and Spain, to deal with this pandemic. My questions are on the encouraging performance at Helios. Rachel, you kindly gave a view on the underlying patient growth as it were in Quirón. And sorry if I missed it, but can you give us a guide on the January-February underlying growth at your German hospitals? That would be helpful. And also, what do you think the most important initiatives were in driving this improvement? And related to that, have you now refilled all the vacant doctor and nurse positions that you were looking to fill?

Rachel Empey: Your line was a little bit unclear, but I think I got your question. So let me give it a go. Yes, in terms of underlying business performance, both in Germany and in Spain, I did make some commentary in terms of somehow where we would be. Firstly, for Germany, to be very clear, the underlying growth position in January and February was particularly strong in terms of admissions. We were expecting that to some extent. The calendar effects year-over-year do support that. But at the same time, I think it is a combination of the persistence in the various areas that we've been working over the last couple of years that are coming together to really show some momentum in that business.

The 8% revenue growth that we showed in the first quarter I think is a fair representation of how the underlying business looked for Q1 because, as we discussed, the law to ease the burden on hospitals did a pretty good job of substituting the lost business that we believe we saw because of the COVID pandemic. So I think that that is a fair representation in Germany. In Spain, January and February was looking pretty good. And you're right. I did make some comments that said our estimates of how the underlying business would have looked without those cancellations of elective procedures in March that I did say we would have been well above the usual organic growth rate we see in Spain of 4% to 6% if we had been able to continue March in the fashion that we had been starting January and February. So again, a very strong underlying position for the business in Spain.

Ed Ridley-Day: That's great. Thank you. And a very quick follow up, if I could. In terms of your German surgeons, we've seen from all the global healthcare companies that Germany has clearly handled this pandemic better than pretty much anywhere else and that surgery volumes have dropped off much less there than elsewhere. In your surgeons, moving away from the government position, how quickly do you think you could see volumes normalize year-on-year, perhaps by the fourth quarter or earlier?

Stephan Sturm: Ed, it's Stephan. Thank you for your question. I believe earlier is highly unlikely. I believe that we're -- as I alluded to in my prepared remarks, we're going to see a step-by-step loosening of the restrictions, where part of the overall installed capacity are going to be freed up for elective surgery, however, subject to increased hygiene requirements. So as a rule of thumb, I would say, when we had a room with two beds so far, I would work on the assumption that we can only occupy that with one patient for meaningfully into the second half of this year. Again, I would work on the assumption, at least until the end of Q3, the law will offset meaningful parts of that forgone revenue. But if those restrictions remain in place also in the fourth quarter and beyond, we would expect that particular regulation then at least to be considered for an extension.

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

Patrick Wood: Thank you very much. I'll keep it to two, the first just more short term on the Kabi margin. You obviously mentioned mix within that and China, but also some of the production moving around and changes there. I guess that production side is going to

be slightly less of a burden in the next quarter, or am I misunderstanding it? So that's the first question.

The second is, how do you guys think about sort of a little bit longer term governments putting more money into publicly run healthcare systems as a political response to what's going on now? And does that make the private providers less competitive? How should we think about that risk? Thanks.

Rachel Empey: Patrick, on your first question, in terms of what are we expecting at Kabi for the coming quarters, clearly, not to be too boring and reiterate the points we've made before, clearly, the effects on the cost base for Kabi, the challenges in terms of managing the supply chain and managing the limitations within production, etc., are obviously dependent in terms of more broadly how the pandemic -- how it develops and how the restrictions in terms of movement evolve over the coming weeks and months. Clearly, we anticipate costs associated with personal protection equipment for our employees, potentially incremental costs associated with moving goods around, and those kind of costs to some degree to continue definitely through Q2 and probably into the second half year.

I think some other examples that are maybe worth mentioning, we have, of course, seen some FX volatility as an example in Q1. And although these numbers are, of course, constant currency from a translation effect -- from a transaction effect, that can sometimes have an effect. And I think that is clearly something that is also a knock-on potential variable, which is also relatively difficult to call in this regard.

So all in all, if you think about COVID having an Asian effect for Kabi in Q1 with only maybe a few weeks of a European and US effect in Q1, as we move into Q2, we clearly do see COVID as a European and US phenomenon for the whole quarter with then potential easing as we go through into Q3 and Q4. I hope that gives you some kind of idea in terms of the shape of costs, but with, of course, the associated uncertainties.

Stephan Sturm: Patrick, with regard to your second question, let me answer with a very general statement again first. The first quarter, also the past month has been dedicated to combat the pandemic. And I have been quoted elsewhere already that this is not the time to think about market share gains. This is the time to do the right thing.

But look, I do appreciate your question, and in trying to answer, I want to get back to my very closing remark as part of my prepared statements. If there has been a time to demonstrate the strength of a large supranational integrated hospital business, then it is now. We have demonstrated our ability to shift resources within individual countries. The very same happened in Spain and in Germany, where we were shifting doctors' capacities from underutilized hospitals to those who had a larger need, but also across country borders. We have demonstrated that, given our size, given our global reach, we had a superior access to needed medical equipment also at a lower cost. I was very consciously making the comment about the public recognition of Quirónsalud's efforts in Spain. And as bad as this pandemic crisis is, I think it has done and it will do us quite some good as far as our reputation is concerned, as far as our visible recognition to the healthcare system.

Maybe as a last remark, with all the money that is being pumped into the economy right now, including but to a very large degree also excluding healthcare, there's little doubt in my mind that there is going to be a day of reckoning and a day of refinancing as far as public finances are concerned. When we specifically look at the German hospital environment, as you know, most of the public hospitals are owned by cities, municipalities, districts who are largely dependent on trade tax income. And so I would expect that their ability to further subsidize their hospitals at a time of need is going to be pretty meaningfully impaired. And I would like to leave it at this for now. Thank you, Patrick.

Patrick Wood: No, that's helpful. Thank you.

Lisa Clive: Hi, two questions. First, on both Helios Germany and Spain, if you could comment separately, but when the situation does normalize, whether that's in a few quarters or, frankly, a year and a half from now, how much capacity do you have for catching up on elective procedures that have been deferred? Would doctors and nurses be working in the evenings, on weekends? I know, in Spain, sort of 15, 20 years ago, they significantly brought down their waiting lists on things like hip and knee replacements by paying private facilities to operate on weekends. That -- would those sorts of initiatives be in place? I'm just trying to understand how quickly that sort of bolus of untreated patients can be addressed.

Stephan Sturm: Lisa, should I answer that question first?

Lisa Clive: Yes, and then I'll jump into my second one.

Stephan Sturm: Okay. I would say, in what applies to both countries is that there is limited capacity and that I am not -- extra capacity, I'm sorry, and that I am not working on the assumption that all of the treatments forgone now can be caught up later on.

When I was making that conscious remark earlier that we have initiated this research study about the collateral damage, what we're also wondering about is that, in quite a few indications, that should not be subject to being an elective treatment, for instance, stroke or heart attack. We are recently seeing a meaningfully lower number of incidents. So we need to better understand where those patients are, what has happened to them, and what is truly elective and what's going to come back to us later on. I would work on the assumption that we have some capacity left. I think, in earlier quarters, we were making reference to a capacity utilization over the course of a year somewhere between 70% and 80% but, obviously, in peak times, substantially higher.

And therefore, the assumption that I am working on, and that is probably more pronounced for Spain than for Germany, is that, if everything goes well from here, which is a big if, but if everything went well from here, we may see a larger use of the traditional summer quarter for elective surgeries and that patients and doctors, who otherwise would have spent their time on the beach in August, may rather stay home and perform surgery. But that, again, is something where we're going to be a lot clearer in the coming weeks and months. Bear with us.

Lisa Clive: Okay. That's very helpful. And then I actually have two high-level questions. Stephan, you're in a very unique position, given that you have one business unit that operates across the States and particularly heavily in the New York and Northeastern area, one of the hardest hit regions in the world. And you also operate the largest German hospital system, which seems to be leading -- in the lead tables in suppressing the outbreak. So what are the sort of three or four key items that you think have contributed to the huge delta in the impact of the pandemic between the two ends of the spectrum? We're obviously still early in the evolution of this pandemic, seeing as I think antibody tests in both Germany and New York show that it's only about 20%, 25% of people who've been exposed. So how do you think this -- what's been the difference so far? And sort of how do you think we'll -- where do you think we'll be sort of a year from now?

And then a follow up to that is, if we do have a second wave in September, October, sort of coincides more with the regular flu season, how can you be prepared for what could be a big squeeze on capacity?

Stephan Sturm: Lisa, this is obviously a loaded question. And much rather than doing that comparison, I would refer to the differences that we have seen between Italy and Spain on the one hand and Germany on the other, where very clearly, here in Germany,

we had the advantage of a time lag. And we could learn quite a lot from the developments in those two countries that were particularly hard hit. I do believe that cultural differences do play and have played a role, where there is hardly a household here in Germany with three generations, where I believe in these Roman countries, it is rather the norm. A physical distance of 1.5 meters or more is pretty normal for your average German. It is obviously not for the population in Italy and Spain, and that has all contributed massively.

Over and above that, I believe that the German government has been fairly good at going about testing pretty comprehensively and early, taking a cue from the Italian -- excuse me, from the South Korean example.

And lastly, very obviously, we had here in Germany a hospital infrastructure that was well built out to start with, showed its flexibility. I think, as soon as we got the alert that we were no longer meant to treat elective surgeries, it took us about four days to pretty much ramp down our hospitals, too, so that we had all the capacity in reserve for corona patients.

As far as a potential second wave is concerned, I am working on the assumption that, with a much higher level of consciousness around the population, when it comes to hygiene and social distancing in general, the impact should not be as pronounced as that of a first one. We are, on the other hand, as I alluded to earlier, running our own models with the specific input that we're getting from our own hospital chains, but also partners. We are working on the assumption that the pandemic is going to be with us for all of this year. I don't need to speculate about a second wave, but there is going to be some COVID-19 effect gross of potential reimbursement with us for all of 2020. I have little doubt about that.

As far -- I'm not a doctor, but as far as I personally am concerned, for the first time in a long time, I will go for a regular flu shot this season. That is not medical advice. That is just describing what I personally am doing so to be better prepared for the potential onslaught of a regular flu plus COVID. I hope that was mildly helpful, Lisa.

Lisa Clive: Yes, very helpful. And thank you to you and everyone in your organization for their very dedicated work during this tough time.

Stephan Sturm: Thank you.

James Vane-Tempest: Hi, good afternoon. Thanks for taking my questions. I have two, if I may. First one on Kabi, Stephan I think you said that you anticipate 2Q performance to be broadly in line with Q1. I'm just curious if April was perhaps below the end of Q1. And I understand that there were some products in safety stock. Which parts of Kabi are giving you confidence on 2Q? It's also my understanding there's been less demand from nutrition on -- with ventilated patients.

And then the second question, just on Helios, if underlying growth was above the 4% to 6% range, I'm assuming that includes Colombia. So please, can you give me an indication of what the underlying growth is in Spain? Thank you very much.

Stephan Sturm: James, thank you. I am working on the assumption that we are through the worst in China and, with that, in the Asia-Pacific region. So as you can see on our Slide 4, that originally red arrow turns to green over the course of the second quarter. I would also work on the assumption that whatever we have seen in terms of extra demand for COVID-19-related drugs and devices can gradually be recovered. Also, that is something that we were trying to illustrate on this slide towards the end of the second quarter. And that includes also blood consumption and plasma collection.

On Helios --

Rachel Empey: I'll take your question, James. So on Helios Spain, let me reiterate what I said and maybe try to clarify your question for you. So the traditional organic sales growth range I referred to is for Helios Spain, and it's 4% to 6%. And that is in organic growth. So when I said that the organic growth that we would have reported would've been above that range, that is excluding acquisitions. And pretty much all of the Colombian acquisitions would not be in organic growth because they were acquired more latterly in 2019 or 2020. So on top of that organic growth, which would have been above the 4% to 6% range, there is approximately 4 percentage points of acquisition growth in the reported Quirónsalud number. I hope that helps you with the maths on that growth rate.

James Vane-Tempest: That's great. Thanks very much.

Michael Jüngling: Yes, hi, thank you. I had myself on mute. I have three questions, please. Firstly, on Helios Spain, can you comment on what COVID-19 means with respect to organic volume growth in the second quarter and whether you intend to make some sort of accruals for the pending reimbursement benefits that you may get or whether you intend to defer that when these are actually made later on in the year?

Question number two is on Akorn. What are you intending to achieve with respect to damages here? Because if you look at the balance sheet of Akorn, there is not much there. And only in early April, they defaulted on their term loan agreement. What is the point for shareholders here? Why would pursue legal actions against Akorn?

And then question number three is, in Helios Germany, what proportion of your bed days do you think in Q2 would be subject to the €560 of reimbursement the government is paying you for keeping beds empty for COVID-19 patients? Thank you.

Rachel Empey: Michael, I will start and then hand over to Stephan. So your question in terms of Helios Spain, I think it is very difficult for us to estimate an organic volume growth of patients in our hospitals in Q2. Firstly, clearly, we have to look at the number of COVID patients that we currently see and we might see for the rest of the quarter. But much more trickily, as Stephan pointed out, the clarity of the path back to elective surgery activities is not yet clear in terms of timing or regulation around that and whether that will be different by region. So it is, I'm afraid, not possible right now for us to give you an estimate of that, given those uncertainties.

In terms of potential reimbursement, clearly, there are different types of potential reimbursement that we could see. Specifically for treating COVID patients, we will make, I would say, reasonable estimates included within our numbers in accordance with the IFRS accounting standards because, clearly, where we have treated patients and we are paid on a per-activity basis, we are anticipating the appropriate reimbursement, even if the exact value of that reimbursement is not in every region yet clear. A broader umbrella of a broader reimbursement for spare capacity or incremental costs is something that we would have to look at on a case-by-case basis, given the clarity of such legislation or such funding programs at the appropriate time. I hope that's helpful for you, and I would hand back to Stephan for the Akorn question.

Stephan Sturm: Michael, with regard to Akorn, what we're looking for is at the very least a moral victory. And that may not be that important for you or for our shareholders. For us, it is. And you will have seen that we've asked for damages in a low triple-digit amount. Very obviously, your observation is correct. Akorn has filed publicly that they may seek Chapter 11 protection, and our claim would be pretty behind in the overall chain. But I also -- beyond the moral obligation, I do feel -- beyond the moral victory point, I do feel that I have an obligation vis-à-vis all our stakeholders to seek compensation for what has done.

If we win in court and then may find that this is a Pyrrhic victory, so be it. For the avoidance of doubt, if we won in court and if there was a reward, this would, just as the expenses in '17 and '18, be treated below the line and well outside our guidance.

As far as the compensation for the held capacity in our German hospitals, Michael, it is very difficult to say because we're now looking at gradual step ups of releasing those capacity reserves that we were asked to hold. At the risk of misinterpreting your question, but still for the avoidance of doubt, we will not turn down a single patient who wishes to be treated at a Helios hospital just because we may find out later on that we could've made more money by leaving the bed free. That is not what we at Fresenius are about.

Michael Jüngling: Great. And a brief question about the ANDA pipeline for the US. Do you believe that the COVID-19 pandemic will cause several quarters of delayed ANDA approvals? Is that something that you've been able to evaluate with the FDA?

Stephan Sturm: Michael, no, and frankly, I would be surprised. I was making a conscious remark with regard to the immunosuppressive effects of our biosimilars. And therefore, clinical research for the approval there may be delayed for the duration of COVID-19. I have not heard from the FDA that they are looking at extended working loops.

Michael Jüngling: Great. Thank you.

Hassan Al-Wakeel: Thank you for taking my questions. Firstly, what was the magnitude of the impact coming out of Q1 at Quirónsalud or the run rate here? And how should we think about margins in Q2? Secondly, can you talk about the Kabi business and Asia-Pac and how this recovered in April? Do you expect to grow this business in Q2 and to recover much of the lost margin that was lost in Q1? And then finally, could you talk about the kind of elective procedures or specialties you would expect to be unwound first and which types of specialties that may take longer to come back and how this compares to your procedural mix? Thank you.

Rachel Empey: It's Rachel. Trying to understand and address your question in terms of a run rate for Quirónsalud, I think Stephan made reference to it and I did to some extent already. We clearly expect Q2 to be a full COVID quarter, if you like, in Spain, whereas we only saw 2, 2.5 weeks or so within March. And we, if you like, see that as more akin to a quarter that has months that look more like an August than a standard month. So in terms of a shape and a profile, we would anticipate a Q2 that is, if we see the expected normalization later in the year or at least a partial recovery, is the weakest quarter of the year and has a run rate, if you like, that is somehow reflecting significantly lower activity levels not totally dissimilar to what you might anticipate from an extrapolated August. I hope that gives you some kind of indication without clearly being able to be specific, given the uncertainties we've described in terms of what the ramp up of potential elective procedures in Spain could look like and how the reimbursement environment will finally pan out.

Stephan, I'll hand back to you for a comment on Kabi.

Stephan Sturm: Hassan, I appreciate you need to ask the question, but please forgive me. I really want to stay away from a detailed guidance per quarter, in this particular case, even on an individual country. What we're trying to illustrate on this page for and what we have also talked about is a gradual normalization. I -- as far as manufacturing is concerned, we are back to normal. As far as moving within the country, we are close to being back to normal.

Sales rep activity is not quite back to normal, but gradually getting there. The experience from the SARS pandemic tells us that it takes a while for the average Chinese patient to regain confidence to visit a hospital for a truly elective surgery.

And therefore, I would work on the assumption that Q2 is still going to be impacted, but very obviously substantially less than Q1. That is as far as I would like to go on this one.

As far as your question on indications is concerned for our German hospital business, I would say that there are a few indications where there is a particular small zone between what is elective and what is medically required. And there are certain parts of -- and those where it is particularly tricky. I would then also expect to return to normal first. And I would say that these are in particular certain parts of oncology, but also cardiology. I would also expect that maybe, with a bit of a time lag, we're going to see a pickup in orthopedics. As you know, we are a fully-fledged hospital operator across Germany. I think the only indication that we're not offering is transplantation, which is truly a niche. And therefore, I would expect that we proportionately participate in any recovery.

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

Stephan Sturm: Thanks.

Sebastian Walker: Hi there. Thanks. I've got one short-term and one longer-term question on Helios Germany. So when thinking about this government support, does it come with any concessions on your side? And then secondly, just to confirm, there was a benefit -- if I understood correctly, there was a benefit which was booked in the first quarter to help offset the lower volumes. I'll then ask my second one.

Stephan Sturm: On the first one, we are not seeing any strings attached. The way that we and all the others are viewing this is that the government has asked us to reserve capacity and that we're being compensated for that. So when you're probably alluding to dividend payments also, I do not see any impact on this one.

Rachel Empey: Sebastian, on your second question, yes, you are correct. As I alluded to in my comments earlier, we obviously stopped the elective procedures as requested in Germany. And we have been compensated through that law to release the burden on us. And that has mostly compensated for the revenues that we have lost. And that has been booked in both revenue and EBIT in the first quarter, and hence why I described that I see the -- sorry, the 8% revenue growth in Germany and the 11% EBIT growth that we have as a representative figure is because it includes the relevant compensation from the laws that were applicable for those weeks in March.

Sebastian Walker: Got it. Very clear. Thanks. And then the longer-term question was, beyond the immediate COVID concerns, how do you think those changes to your German hospital business structurally in terms of the level of investment required, the protocols that you have to take in between surgeries, and therefore, what kind of profitability can we achieve in longer term?

Stephan Sturm: Sebastian, that is something that we started to analyze, but I'm asking for your understanding that this analysis is by no means complete. I would also go back to my answer to -- I believe it was Patrick's question about the implications, potential implications on the hospital structure. And that I believe should and would have to be seen as an overlay. From today's vantage point, I would work on the assumption that there are no structural impacts on our margin profile compared to the situation earlier this year. If there were, then I would also work on the assumption that we will be in best position to offset them and that, therefore, we may find an opportunity to further enhance our probability by driving our market share.

Sebastian Walker: Got it. Very clear. Thank you.

Falko Friedrichs: Thank you. Two questions, please. Firstly, on Helios, did I understand it correctly that you don't really expect a negative margin effect in Germany in Q2, thanks to the government reimbursement?

And then secondly, the pandemic has obviously shown that many European countries have had a few problems with their hospital infrastructure. Has that shied you somewhat away from potentially entering a third hospital market in Europe over the next years, or has it done quite the opposite, and you now see an even bigger potential for meaningful expansion in certain countries?

Rachel Empey: I'll take your first question very briefly. I think we've been quite clear, and I would reiterate the point that we see that the law that is releasing the burden on hospitals in Germany does a good job to address the situation that we see with the assumptions that we have, but nevertheless does not necessarily fully compensate us for how our business may have developed. And clearly, there are some significant uncertainties in that based on all of the discussions that we've had today in terms of the potential development of a pandemic, the rules and regulations around elective surgeries, and how patients come back to the hospitals. But net-net, I would say that we still do anticipate that, in some scenarios with some assumptions, there could be some negative impact despite the law to compensate us being in place. Exactly what that may look like in terms of an estimate on margin, I think you can appreciate it's too difficult to say. But nevertheless, as we've said before, we don't think it is a very significant impact overall for the full year if our assumptions that we've made ring true.

Stephan Sturm: Falko, I appreciate your second question, but please bear in mind, over the last weeks and months, we have kept our head down and have been truly in operating mode, trying to make ends meet for our staff and for our patients. And therefore, further strategic expansion has somewhat taken a backseat. And it will continue to do so at least in the coming months. Having said that, I also want to refer back to what I was saying as part of my prepared remarks, the very closing remark. If there was a situation to demonstrate the extra capabilities, the extra resources of an international, integrated group, then it is now. And we will continue to play to our strengths. So the long and the short of it, it has -- this is not something that I have spent a lot of time on recently, but that should also tell you that what has been going on recently has not and will not deter me from doing the right thing for our hospital business. Thank you.

Falko Friedrichs: Thank you.

Stephan Sturm: To all the participants on this call, thank you very much for bearing with us. I hope this was instructive, by no means a normal quarter, and therefore also, by no means a normal commentary on a quarter. Bear with us. We will try to make this work over the course of Q2 in particular, but also thereafter. We hope to shed some additional transparency on our financial situation as part of our Q2 results. We will see some of you, if only virtually, between now and then. And first and foremost, stay safe, stay healthy. Talk to you soon. Thank you.

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