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PRESENTATION

Markus Georgi: Thank you, Stewart. Good afternoon, everybody, and good morning to the US. Welcome to Fresenius full year 2019 earnings call. I'm joined on the call today by Stephan and Rachel. We will start the call with some prepared remarks and then proceed to Q&A. As always, before we begin, I would like to remind you that forward-looking statements and the disclaimer are on **Page 2** of today's presentation. Without any further ado, I will pass the call to Stephan. Stephan, the floor is yours.

Stephan Sturm: Thank you, Markus. Good afternoon, 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 our take on 2019's highlights and our expectations for this year and beyond.

Starting with 2019, a tough year, more disappointments than positive surprises, but yet we delivered on our commitments. A strong Q4 had us return to positive earnings growth and took us to our 16th consecutive record year. Very healthy top-line growth across all our segments. At the same time, net income, currency adjusted, was flat year-over-year, as guided. And a bit of currency tailwind took us to a new peak. Growth clearly below our aspiration level, but overall satisfactory, given the various challenges we were facing and given our meaningful investments into accelerated and then sustainable earnings growth going forward, investments which to some degree were taken through our P&L.

Let me highlight some of them: at FMC, integration of NxStage and the rollout of home infrastructure in Asia; at Kabi, our major plant upgrades and expansions as well as the ongoing development of our biosimilars portfolio; and at Helios Germany, our efforts to counter regulatory headwinds as well as to capitalize on opportunities.

So 2019 broadened the foundation for accelerated growth in the coming years. And all our investment initiatives are on track. That brings me to our dividend proposal for 2019. And we want to extend our flawless track record and propose a 5% increase to €0.84 per share. If approved, that would mark the 27th consecutive dividend increase.

With that, let us move to our key expectations for 2020. For Kabi, again strong emerging markets growth tempered by last year's tough comp. And given normalization of drug shortages and opioid market contraction in North America, we're suffering from a bit of an extended hangover there. For Helios, ongoing stabilization in Germany, despite the pain caused by the unbundling of the DRGs. And at the same time, Spain is expected to plow ahead, primarily driven by admission growth and our recent acquisitions in Colombia. For FMC, a continuation of the strong underlying growth trend, somewhat masked by the ESCO and Tricare one-timers last year. Taken together, sustainable sales growth and a return to earnings growth, for now, as flagged already last year, below our medium-term target CAGR of 5% to 9%, but we remain confident in an acceleration towards 2023.

At the same time, I believe it's just too early to reliably assess the impact of the coronavirus on our group. Kabi, given the size of its China business, has the largest exposure. And for the avoidance of doubt, corona is not going to be a positive for us. But from today's perspective, we also do not expect a significant impact on group net income.

Onto **Page 4**, with a few more details on our expectations for Kabi, starting with North America. There we've seen a 2% organic sales decrease in full year '19, a rare disappointing year for a business we have grown so rapidly over the last decade.

However, you know the reasons. We've discussed them last year as they emerged. To start with, 2019 had tough comps, given 8% and 10% organic growth in 2017 and '18, respectively. On top, drug shortages have normalized, related to that, our largest competitor returning to full capacity after an extended absence, slowly developing price erosion, continued contraction of the injectable opioids market, a few delayed product launches, the voluntary extended plant shutdown. Most of these factors were foreseen. The effects were sometimes underestimated. Taken together, a pretty heavy and unfortunately growing weight on our top line and earnings growth last year.

And these factors haven't simply gone away just because it's a new calendar year. Much rather, given how 2019 evolved, in the first quarters of 2020, we're still up against some quite tough comps. So our cautious guidance is not about any new challenges arising, but rather reflects the gradual annualization of the trends we already know without any nonforeseeable positive effect to offset.

Now specifically on pricing, annual price erosion for injectable drugs in North America has historically moved in a fairly narrow band from very low to mid-single digits. Last year, a few smaller competitors created price challenges in certain molecules that then inched overall price erosion more towards the mid-single digits. And our model does not assume an improvement from there.

Onto launches, a very strong 16 new pharmaceutical products in the US alone last year, fully in line with our guidance. But as I indicated, some of these came a bit later than originally anticipated. Hence, their 2019 contribution was smaller. More importantly, the overall size of the opportunity is reduced as we were a bit late to the party on quite a few occasions.

So yes, the 2019 launches will make a contribution this year, less than originally planned, though. And for 2020, we expect again, say, 15+ launches, targeting a market of an aggregate \$1.3 billion. Their contribution will help us compensate at least partially those prevailing volume and pricing headwinds this year and going forward. And indeed, our product pipeline is fuller than ever. Last year, yet again, we filed more ANDAs than we received approvals. Hence, at yearend, we had a record 54 files pending with the FDA. And I believe that bodes well for pretty vigorous launch activity in the coming years and for filling remaining gaps in our injectables portfolio.

That's a nice segue to **Slide 5**, with an overview of our US portfolio strategy. You will have seen a variation of this slide before. We keep on both broadening Kabi's product portfolio and expanding our channel access to serve more health professionals and more patients in ever more places. You'll find the distribution channels across the top line with, top left, our current focus on injectables into hospitals via GPOs. But you also see the growing number of blue dots by 2023 down the channels as well as across the product groups. Our investments in R&D are diversifying the current product portfolio into adjacent growth areas. And we are deepening our market penetration by building additional market access capabilities to selectively enter new distribution channels. At the same time, the capital investments we are making in manufacturing and distribution, they will make us an even more cost-efficient and reliable supplier. Taken together, we continue to strengthen our IV drugs business, first two rows. And at the same time, as we diversify, we're becoming more independent from it.

So in summary, despite the decline of our US business in 2019 and the expected softness this year, we are a leader in a structurally growing market with healthy share and margin positions and a diversification strategy that is opening new growth opportunities in the medium term.

Onto emerging markets on **Slide 6**, where Kabi's strategy has been and continues to be a huge success. We've grown at exceptional rates and expect to show further strong organic sales growth this year.

Especially in Latin America, we believe we can keep our momentum. And also there, broadening and deepening our product portfolio is key. Actually, Latin America is a great example in this regard. When originally Kabi there was primarily about infusion solutions, we now see large and growing contributions from our clinical nutrition and medical device ranges.

But China is even more important for Kabi's emerging markets presence and contributed significantly to its overall growth over the last decade. As you can see, bottom left, by now, China is roughly a €1 billion business for Kabi. Driven by healthy double-digit volume growth over the last decade, coupled with a low to mid-single digits price erosion in most of the years, this translated into consistently significant organic sales growth. Now whilst the absolute increments keep on growing, percentages don't. That's just math. Hence, I maintain the view that high single digits is a more realistic assumption for sustainable CAGRs than getting carried away into the double digits. Now specifically for this year, whilst we're expecting healthy volume growth, we see a more pronounced price erosion, driven by regulatory headwinds. The new National Reimbursement Drug List was implemented on January 1st. It foresees not only more price cuts for individual drugs. It also limits reimbursement for clinical nutrition products to specific indications. That hurts a bit. And clearly, the impact on earnings is larger than on sales.

Second week of January, I visited our annual Kabi China sales conference. I was very impressed by the energy and the enthusiasm in the room, more than 3,200 sales reps covering the country. You see a photo of that top right. And as I said earlier, it is just too early to reliably assess the impact of the coronavirus. But if justified, here, we have some SG&A cost potential to mitigate lost sales.

Over to **Slide 7**, with an update on our biosimilars portfolio. Last year, as you know, we launched Idacio, our biosimilar of adalimumab in Europe. And as per our settlement with AbbVie, we plan to commercialize adalimumab in all its indications in the US from mid-2023, of course, subject to marketing authorization by the FDA, which we firmly expect to obtain in time. Moreover, we can and will commercialize ada globally.

For pegfilgrastim, we expect a slight delay relative to the originally planned launch date. After final alignment with the FDA end of last year, we have rearranged our dossier to their requests and now expect a smooth regulatory process. We are finalizing our filing as we speak and will submit the dossier in the EU soon after the FDA submission. So we're targeting a 2021 launch, both in the US and in Europe. And hence, as you would expect, launch preparations have already started.

On tocilizumab, the biosimilar to Actemra, we have successfully finalized our Phase 1 study for subcutaneous application. And whilst we'll also do a bridging study for IV application, subcut is the larger of the two. And here, we appear to be leading the competition. Our Phase 3 study has already been initiated, and we expect inclusion of first patients in the summer. On that basis, we expect to launch tocilizumab both in the US and in Europe in 2023.

Beyond these, there are three more biosimilar candidates in our pipeline making progress according to plan and ready to launch some clinical development phases next year.

Takes me to our business plan. Considering that we are talking about a living business with a fairly dynamic regulatory framework, we are progressing very well with the rollout and commercialization of our biosimilars portfolio. We see, however, a slight delay for the launch of peg, and our first market experiences with Idacio in Europe show us that price levels are a notch lower than originally assumed, especially in tender processes. Thus, we now expect EBITDA breakeven in 2023 and that high triple-digit million-euro sales number from 2024 onwards. That's 1 year later than originally planned, unfortunate, but not the end of the world. And thanks to our risk-mitigating transaction structure, where delays generally result in reduced milestone payments, that hard total investment ceiling, that will be unchanged at €1.4 billion until EBITDA breakeven in 2023.

Over to **Slide 8**, which shows the current status of the Idacio rollout in Europe. And here is the key takeaway. The rollout is progressing according to plan, and we have a fairly decent coverage of most of the European countries. Hence, sales will increase significantly this year. We have won recently three large tenders in Italy, an indication of our competitiveness and our growing market penetration over the coming quarters.

One word on our transfusion medicine and cell therapies business. That's on **Slide 9**. We created the TCT division last year to better reflect the requirements of an ever more agile business environment. After an in-depth strategic review, we have decided that the TCT business will remain an important part of Fresenius Kabi. And we're very pleased with the financial performance of that business last year. As I already said in Q3, we are determined to continue to invest in that division's development.

A good example here is Haina in the Dominican Republic where, given growing volume demand, we keep on investing into the expansion of our capacities for disposables. And now that the building is inaugurated, start for the new production lines will be later this year.

I also want to mention the formation of our recently formed joint venture with Bio-Techne and Wilson Wolf. So beyond the organic expansion of the business, we will also pursue bolt-on acquisitions and, like here, cooperations, treating -- creating win-wins. The joint venture provides scalable manufacturing technologies and processes needed to develop and commercialize new cell and gene therapies, very clearly a growth market.

Onto **Slide 10**, with an update on Helios Germany. With the timely initiation of decisive measures to counter regulatory headwinds, we feel well prepared for 2020 and beyond. We know we are working on the right trends. And we are setting up exciting new business models. I'm convinced that Helios Germany has now stabilized. And we are optimistic to see sustainable growth over the coming years.

For this year, we're obviously still facing regulatory pressure from the unbundling of DRGs. We have said early on that we expect a negative high double-digit million-euro EBIT amount as a gross effect from that carve-out of nursing costs. At the same time, we said that already identified countermeasures would cover about half of that shortfall. We were hence looking at a residual low to mid-double-digit million-euro gap. You can draw from our Helios EBIT outlook for this year that we believe we can close also that gap. So we expect a flattish EBIT development in Germany and, if we're lucky, may even get to a bit of growth. That would be quite an achievement. We have made progress in filling chief doctor vacancies. We have hired a large number of well-trained nurses. At the same time, we further optimized our processes and adjusted our cost positions. On top, we see a DRG inflator for 2020 which is at a record high. Mind you, as in previous years, the effective price increase will be a bit lower, as it is subject to negotiations at the state level.

So let's have a closer look at our investments into future growth areas. Now with regard to clustering, the share of patients actively choosing our specialized hub hospitals has meaningfully improved. We have also increased the share of patients being transferred from smaller hospitals to those hubs. And in addition, physicians from our smaller hospitals have generally intensified collaboration with their colleagues at hubs, for instance, in tumor boards or in the field of neurology. They will then jointly decide on the best treatment path for an individual patient. This clearly improves medical outcomes with a knock-on commercial effect.

In 2019, we also laid the foundation for internationally scalable business models, which will in the medium to long term accelerate top-line growth and improve our profitability. Let me give you just a few examples. We have continued the rollout of our prevention centers with openings in Berlin and Munich and are by no means done. We also aim to expand Helios into a nationwide provider of occupational medicine, another revenue synergy from the Quirónsalud acquisition who are true experts in this field.

Telemedicine, in November, our digital health company launched our digital and personalized companion for chronically ill patients. It's called Curalie. And whilst Curalie has been certified as a digital medical product in Germany, we're also generally open for an international rollout. The Curalie platform is also open for third-party providers to offer patients the best available care.

Coming to our outpatient services, with our network of more than 120 outpatient clinics in Germany, we are keen to ramp up our outpatient business going forward. And now we are specializing our outpatient centers even more, for example, radiation centers, diagnostic centers, or surgery centers. The beauty of that strategy is that we offer even better medical quality, whilst we optimize cost structures and increase admissions.

With that, over to Helios Spain on **Slide 11**, where we see an ongoing organic and inorganic growth momentum. Quirónsalud has opened its proton therapy center in Madrid. As you know, it's the first such center in Spain and proof of our ambition to provide the best possible cancer treatment. Quirónsalud has also finished a major expansion project in its largest private hospital in Madrid, the university hospital in Pozuelo.

Generally, we've seen steady organic growth across our network of private hospitals in Spain, to a large extent driven by admissions. We have also seen a positive momentum in the ORP segment, and we expect these trends to continue this year.

Coming to Latin America, more precisely Colombia, what we have managed to do here is nothing less than building a national leader in healthcare services in about 18 months. That is, as we see value in providing integrated services to our patients through a network of facilities, and hence, we expect attractive returns on these investments, frankly also on a risk-adjusted basis.

With that, onto **slide 12**, where we feel confident in confirming our medium-term growth targets. We expect accelerated growth over the next years. Organic and inorganic growth will both continue to play a role for us in the medium term. So in terms of sales, we expect 4% to 7% organic growth. And at earnings level, we see growth a touch faster at 5% to 9%, again organically.

We expect that our sales growth and efficiency improvement initiatives as well as Fresenius Kabi's biosimilars business will drive an acceleration of group earnings growth over that period. Small and mid-sized acquisitions are expected to contribute an incremental CAGR of approximately 1 point to both sales and net income growth.

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

Rachel Empey: Thank you, Stephan. A warm welcome to everyone. We are pleased with the fourth quarter, a strong finish to 2019. This year, we are back on a growth trajectory, and we are targeting continuing accelerating growth in future years. But first, let's have a closer look at the 2019 results.

The results for last year are shown in our usual fashion, so before special items, including the operating result of NxStage and excluding IFRS 16 effects. Prior-year figures are adjusted for the divestitures of care coordination activities at Fresenius Medical Care.

A comprehensive overview of all special items and adjustments is provided at the back of our Investor News and in the Results Center on our Website. The effects from IFRS 16 are shown on slides 32 and 33 and in detail at the back of our Investor News.

So let's switch to **Page 14** and our key financials. Growth rates on this slide are on a constant currency basis. We delivered 6% sales growth in 2019 and 5% in the fourth quarter, fully in line with our guidance.

EBIT showed a decline of 2% in the full year and remained on prior-year level in Q4. There are three main reasons for the full year decline. Firstly, at Fresenius Medical Care, the negative impact of the decreasing savings rate for ESCOs paired with other one-time revenue adjustments was only partially compensated by a gain on a remeasurement of FMC's investment in Humacyte.

Secondly, at Kabi, the softer development in North America was only partially offset by an excellent development in the emerging markets. Finally, at Helios, investments to counter those regulatory headwinds weighed on the profitability in Germany.

Interest decreased year-on-year by 9% in constant currency in the full year to €510 million. That's at the low end of our expectations, mainly driven by ongoing favorable market conditions, successful refinancing activities, and supportive foreign exchange effects. The figure including IFRS 16 is €714 million for 2019. And thus, for this year, based on current exchange rates, we aim for net interest between €690 million and €710 million. Hence, we are expecting a further slight reduction year-on-year. To be clear, that expectation is excluding potential new acquisitions.

The guidance-relevant group tax rate before special items was 23.4% for 2019, fully in line with our expectations. And here, for 2020, we aim again for a tax rate between 23% and 24%.

So let's move onto net income, which on a constant currency basis was at the prior-year level for 2019 and thus fully in line with our guidance. Net income even increased by 2% in the fourth quarter, despite the absorption of the negative one-time effects at Fresenius Medical Care and the extended plant shutdown at Kabi North America, a good proxy overall then for the growth rate for the full year 2020.

Page 15 illustrates the Q4 2019 momentum at the four business segments. And the results are presented in the guidance-relevant fashion. I think particularly pleasing here is the consistent organic growth across the group.

Let's start with Kabi, overall a somewhat weaker Q4. The company showed solid 4% organic sales growth but a slight EBIT decline. The excellent emerging markets development helped to partially offset the softer development in North America as far as sales are concerned. At the EBIT level, the positive contribution of the emerging markets could only partially compensate the weakness in both Europe and North America, which was intensified by that planned longer-than-usual US plant shutdown in Q4.

Helios showed a strong quarter, with accelerated EBIT growth compared with Q3, particularly driven by Germany. Overall, the top line grew by 4% organically. Germany continues to stabilize, and we see slight positive admissions growth for the second quarter in a row coupled with a favorable pricing environment, pleasing indeed. Spain continues to shine with an excellent growth momentum, both sales and EBIT wise.

Vamed showing slightly lower growth rates in Q4 over a tough prior-year comp, but delivering nicely on their full year guidance.

Let's turn to **Page 16** for a review of Fresenius Kabi's organic sales growth by region. And let's start with North America, where we've seen organic sales declining by 1% in Q4 and by 2% in the full year, in line with our revised expectations that we gave in Q3. Sequentially, we have seen a slight improvement and an indication for a stabilization of the market.

We are facing ongoing volume headwinds coupled with pricing pressure which has recently skewed more towards mid-single digits than low single-digit declines. However, our strategy to diversify and broaden our product portfolio is showing positive effects. Especially noteworthy is the excellent growth of our clinical nutrition and medical devices businesses, and we are very optimistic that we can accelerate growth in the non-IV business areas in the upcoming years.

In Europe, we have seen 2% organic growth in Q4 and in the full year, respectively. That is in line with our expectations to grow low to mid-single digit. We are pleased with the broad-based positive performance across all product segments and, yet again, with the dynamic growth momentum of our enteral nutrition business.

Moving onto the emerging markets, which continue to show remarkable organic growth of 12% in Q4, leading to outstanding 14% in the full year, clearly double digits and thus in line with our expectation. China with healthy 9% organic growth in Q4 over a very tough comp.

With that, let's turn to **Slide 17** and Kabi's regional EBIT development. Total EBIT came in at €283 million in Q4, a decline of 1% at constant currency. For the full year, total EBIT was €1.2 billion, an increase of 3% at constant currency, and thus, as indicated in Q3, at the low end of our guidance range, of course, primarily driven by North America.

Here, we saw an 8% decline in North America in Q4, taking the full year 2019 to a decrease of 3%. The full year '19 results reflect the volume headwinds and the stronger competition for certain molecules, whilst in addition, Q4 was impacted by that extended shutdown at our US facilities.

As we said in Q3, we'd decided to consciously have a longer-than-usual production shutdown to accelerate investment at our US plants on the back of the softer volume demand. Nevertheless, we still managed to show an EBIT margin of 33.5% in Q4. And I'd like to take the opportunity to reiterate our sustainable EBIT margin target of around 35% for the IV drug business in the US.

Let's move onto Europe. Total EBIT came in at €87 million in Q4, a 10% decrease year-on-year. That's nothing structural. We are talking relatively small numbers here, and the prior-year quarter was a tough comp. The negative impact on our EBIT line from the sales efforts of the Idacio launch in Europe has not yet annualized. Moreover, we have seen again various small one-time items in our production facilities weighing on our profitability. We are convinced that those headwinds will ease during 2020. Thus, we expect very solid EBIT growth this year.

Onto emerging markets, where we had 7% growth in the fourth quarter on the back of high comps, bringing the full year 2019 to an outstanding level of 19% growth.

We can move onto **Slide 18** now for Fresenius Kabi's regional outlook. Let's start with North America. Clearly, taking the well-known volatility of the IV generic business into consideration, here, we anticipate ongoing volume headwinds coupled with somewhat increased price declines year-on-year. Those effects will be partially compensated by our growing clinical nutrition and medical devices businesses as well as, of course, new drug launches.

Hence, our current best estimate is a broadly stable development as far as organic sales growth is concerned. We project the EBIT development to be below the top-line performance. Thus, we currently expect to see a decline.

Let's move to Europe. For 2020, we expect mid-single-digit organic sales growth. We assume the excellent growth of our enteral nutrition business to continue in the coming quarters. And moreover, growth is expected to be additionally fueled by Idacio in 2020.

In the emerging markets, in aggregate, organic sales growth will likely be in the high single digits in 2020. We have considerably broadened and deepened our emerging markets presence over the last years. So emerging markets growth is by no means only dependent on China.

Let's take Latin America or Africa as an example. We expect to see no major changes from 2019, meaning continued strong growth in all business lines this year. That is despite a challenging situation in some local economies.

In Asia-Pacific outside of China, we expect an ongoing positive momentum. Especially clinical nutrition is growing very dynamically in that region. We expect double-digit volume growth coupled with single-digit price declines, leading to healthy growth in 2020. And onto China, you heard Stephan's caveat with regards to the regulatory headwinds. Thus, a bit more pricing pressure is baked into our outlook for 2020. And obviously, we are watching the coronavirus development very carefully.

To be clear, the potential financial impact of the coronavirus on our business is not yet reflected in the emerging markets organic sales growth expectation for 2020. To reiterate what Stephan said, though, if the situation persists or worsens, we have some flexibility to appropriately address marketing and sales expenditures.

Let's move to Helios on **Slide number 19**. Organic growth at Fresenius Helios came in at 4% in Q4 2019, bringing the full year growth to 5%, thus, as expected, at the upper end of our outlook range of 2% to 5% growth.

Helios Germany showed a 3% organic sales growth for both the fourth quarter as well as the full year 2019. We are very pleased that we see an ongoing positive admissions growth, testament that our initiatives are materializing, which bodes well for 2020. Thus, we project that the positive pricing environment coupled with slight admissions growth will lead to solid organic sales growth in Germany this year.

Moving onto Helios Spain, where we've seen very healthy organic sales growth of 7% in Q4. And with organic sales growth at 7% also for the full year, Helios Spain even exceeds its historical organic sales growth range of 4% to 6%, mainly driven by admissions growth and excellent execution within the existing hospital and service offerings. Reported sales growth is even at 9%, obviously fueled by the recent acquisitions in Colombia.

Moving onto the EBIT, total EBIT came in at €292 million in Q4, a 5% increase year-on-year, and bringing the full year 2019 rate to minus 4%. That is in line with the outlook range of minus 5% to minus 2%.

Helios Germany had an EBIT of €143 million in Q4, with a 4% increase year-on-year. So the business is back to growth. Here, we've seen first positive effects from the initiated measures, and growth was also supported by a softer prior-year comp. The EBIT margin was at 9.7% for both the fourth quarter and the full year. That's 80 basis points below the level of 2018, mainly due to the implementation costs for our initiatives as well as ongoing investments into outpatient facilities and new business models. For 2020, we expect an absolute EBIT around the same level as for 2019, hence a slight margin dilution.

At Helios Spain, EBIT increased by 6% to €134 million in the fourth quarter and by 5% to €434 million for the full year. The new Colombian acquisitions contributed with a small positive effect in 2019, and we expect that to accelerate in 2020.

Let's move to Fresenius Vamed on **Slide 20**. We are pleased with Vamed's fourth quarter performance. Total sales showed 6% growth and on the back of a tough comp. For the full year, we have seen tremendous 31% growth. If we strip out the acquired German post-acute care business and other small acquisitions, organic growth was still excellent with 16% for the full year and hence clearly above our guidance.

As far as the sales development is concerned, both of Vamed's business lines performed very well. While the service business increased sales by 43%, or 25% excluding the post-acute care business, the project business showed strong growth of 13% in 2019. With a 63% share of overall sales in 2019, the less cyclical and less seasonal service business now clearly outstrips the project business. Sales growth of Vamed is still significantly supported by the stronger collaboration between Vamed and Helios, which leads to higher intragroup sales. The 19% growth rate for the financial year 2019 is significantly supported, of course, by the transfer of that post-acute care business from Helios as of the 1st of July 2018. Excluding this effect, EBIT grew at 6% for the full year. EBIT growth was healthy with 8% in Q4, and now we have a truly like-for-like growth comparison.

So let's move onto cash, which we will find on **Slide number 21**. A solid Q4 took the full year group operating cash flow to €3.5 billion. That's a 6% decline year-on-year. Excluding the FCPA payment at Fresenius Medical Care of roughly €200 million, group operating cash flow was, in absolute terms, around the prior-year level.

A strong Q4 cash flow of €273 million at Kabi took the full year cash flow to €968 million, with a decent margin of 14%.

Helios had a strong finish to the year. The Q4 cash flow of €212 million helped the full year cash flow to increase by 23% year-on-year to €683 million, and the margin improved to 7.4% accordingly.

Vamed's cash flow was negative, mainly due to phasing effects in its international project business as well as working capital buildups. We are confident that we will see a catch-up effect during this year.

So for the group, the Q4 performance took the group full year margin to 9.9%. If you deduct the group CapEx of 6.9% in the middle column, you'll arrive at a free cash flow full year margin, bottom right, of 3%.

CapEx is obviously at a high level in 2019 and therefore weighing on our free cash flow. We are expecting also for 2020 to see an inflated CapEx level and a return to our historical level of roughly 6% of sales from 2021 onward.

Including the acquisition of NxStage, we ended the quarter at 3.14x net debt to EBITDA as a ratio, slightly above the upper end of our self-imposed corridor of 2.5 to 3.0x net debt to EBITDA.

For 2020, we expect some light deleveraging. Thus, we project the leverage ratio towards the top end of our target leverage corridor by the end of 2020. That is, of course, excluding potential acquisitions and including IFRS 16.

That accounting rule change technically increases our leverage ratio by roughly 50 basis points. Hence, as a reminder that we already addressed at the beginning of last year, we increased our self-imposed target corridor from 2.5 to 3.0x net debt to EBITDA to a ratio of 3.0 to 3.5x, based on this technical effect.

With that, let's turn to the 2020 outlook by business segment, which you will find on **Slide number 22**. Again, it is just too early to quantify the effects from the coronavirus outbreak. From the current perspective, however, we do not expect a significant impact on group net income.

For the 2020 guidance, we took the guidance-relevant 2019 basis but now include IFRS 16 effects for both years. Our guidance includes our acquisitions which are signed but not yet closed. And as usual, our guidance excludes special items, for example, arising from unusual or unforeseeable topics.

Kabi's organic sales growth first, where we project 3% to 6% growth. That's the blend of the regional contributions I mentioned, mid-single digits for Europe, high single digits for the emerging markets coupled with a broadly stable development for North America. Onto EBIT, where we expect a decline of up to 4%. As I said, we are assuming that the softness of our North American business will persist in 2020, which will have a stronger effect on our EBIT line. Moreover, we are seeing higher depreciation levels due to our significant investments over the last years, and we have ramping investments into biosimilars sales and marketing capabilities.

Over to Helios, here, we expect 3% to 6% organic sales growth. For 2020, we expect Helios Spain to continue to grow roughly in its historical organic sales growth range of 4% to 6%, and we expect Germany to show very solid organic sales growth. For EBIT, we project 3% to 7% growth this year. We expect Spain to grow faster than Germany, additionally fueled by EBIT contributions from the recent acquisitions in Colombia. At Helios Germany, we expect as the base case EBIT to be around the same absolute level as in the prior year.

At Vamed, we feel confident to see organic sales growth of 4% to 7% and expect EBIT to grow by 5% to 9%. That is a notch below the historical guidance ranges for Vamed. The growth rates in the post-acute care business are somewhat lower than in the other parts of Vamed. Hence, with the enhanced size of the business, we see the guidance level of 2020 as a more indicative growth rate going forward.

Now let's take all that together for the group, and you'll find that on **Slide number 23**. Starting with sales growth, here, we expect 4% to 7% growth in constant currency, just the same as we had last year. There is a small inorganic effect from the hospital acquisitions in Latin America baked into that expectation.

Moving onto net income, here, we are projecting 1% to 5% growth. Also, for net income in 2020, we are expecting a small inorganic effect from the acquisitions in Colombia. We are pleased to be back on a growth trajectory, and we anticipate an acceleration of growth in the coming years.

To reiterate, we are confirming our medium-term organic growth targets of 4% to 7% sales growth and 5% to 9% net income growth. We still expect that additional 1% growth to come from bolt-on acquisitions.

A word on the phasing that we expect for 2020. As I said at the very beginning of my prepared remarks, negative one-time effects at Medical Care and the extended plant shutdown at Kabi North America weighed on our bottom-line development in Q4. Since we are not expecting them to reoccur in 2020, that should be an underlying tailwind at Medical Care and Kabi for Q4 2020.

Finally, the currency translation effect, if current exchange rates prevailed until the end of the year, we would see a tailwind of 1 to 2 percentage points, mainly from the US dollar, for both sales and net income. Hence, we expect to see a somewhat smaller foreign exchange tailwind compared with what we saw in 2019.

Many thanks for your interest. And with that, I'd like to hand back to Stephan.

Stephan Sturm: Thank you, Rachel. Let me wrap up our prepared remarks with two overarching themes, capital allocation and ESG. So let's move to **slide 24**. Capital allocation is among the most frequently and controversially discussed topics by the sell side and when we're on the road. And we meet just as many proponents of further acquisitions as share buyback supporters. So we felt it's useful to provide our perspective in front of a broad audience.

In essence, we're not dogmatically opposed to buybacks but have a clear preference for further growing our businesses. Let me be specific on our priorities. Supporting organic growth comes first. Organic growth has been and will remain our backbone. All our existing businesses offer ample opportunities. And investments are the necessary prerequisite to harness them. Plant expansions, greenfield hospitals, de novo clinics, etc., proven models offer an attractive low-risk, high-return profile.

All our businesses are about scale. Size matters when it comes to purchasing, manufacturing, the use of data, you name it. So in generally already fairly consolidated markets, we should and will go after remaining consolidation opportunities to gain strategically superior positions, to gain a timing advantage over an alternative organic development, to apply a proven business model in a new geography. Hence, we will continue to pursue large strategic acquisitions, determined and disciplined.

Shareholder remuneration, where we are proud of increasing our dividend for 26, likely 27 consecutive years. We are committed to letting our shareholders participate in Fresenius's success and hence have a clear earnings-linked dividend policy, which we feel bound by and, even more importantly, which we fundamentally believe in.

Lastly, share buybacks. Well, we're not categorically ruling them out, but obviously, there is no EBITDA growth, no free cash flow generation arising from a share buyback. So they have a pretty direct and lasting effect on leverage.

Factually, and even more in the perception of our lenders, to whom, also in the interest of our shareholders, we have an equally strong commitment. After all, group net debt, now including IFRS 16, stood at more than €25 billion at yearend 2019.

So the likely impact of a debt-financed share buyback on our interest rates makes me wonder, even in a low interest environment, whether it would create meaningful EPS accretion.

That assessment would probably change if we were towards the bottom end or even below the low end of our target leverage corridor or if we were, like FMC last year, sitting on meaningful divestiture proceeds. But I don't see that for the time being. Hence, we will remain focused on value creation for our long-term-oriented shareholders by strengthening our operating business whilst bolstering our group with the right acquisition targets.

Rachel and I will be happy to discuss this perspective with you either now or when we meet in the coming days and weeks.

Onto sustainability or ESG, as the capital markets frame it, and that's on **Slide 25**. So where does sustainability actually sit in our business model? At its core. We're a healthcare company after all. The wellbeing of our patients and the quality of our products and services continue to determine virtually everything we do. And that's why our guiding principle "ever better medicine for ever more people" has been around for a long time and remains valid going forward.

For instance, we have instigated systematic quality measurement, target setting, peer reviews, you name it at Helios Germany and are trying to make these instruments compulsory, or we have been able to supply essential medical products when others couldn't and continue to invest quite heavily into an even higher level of reliability of our manufacturing processes. And there's ample more proof of our sustainable quality orientation.

This year, we're bound to pass the 300,000 employees mark. The incredible range of skills, age, nationalities, and experience is the foundation of our global business success. We're proud of that. At the same time, we have an enormous number of Fresenius lifers, testament to our general attractiveness as an employer. No doubt, competition for skilled labor is becoming more intense. And so we will have to further increase our efforts to remain an employer of choice. But I believe the success of our hiring campaign for Helios nurses last year proves that we are both ready and able to do just that.

The third major area for us is compliance, doing the right thing. In the highly regulated healthcare space, this is closely connected to our license to operate. We do not accept noncompliance with rules and regulations or our code of conduct anywhere. Our stance and actions in the Akorn case demonstrate that very clearly. And we have also learned our lesson from and frankly paid a price for some unacceptable conduct in the past. Education and monitoring have been beefed up dramatically. And not least, there is an extremely clear tone from the top. We don't cut corners.

Finally, climate change. Of course, our business is not a major burden on the environment. Nevertheless, we are keen to make a contribution to the global business efforts to foster sustainability also in this area.

Now while all this is fairly obvious, at least to us, we may not have spent enough time and resources on conveying the importance of these topics for us. And we also have to get better at showing to you how those environmental, social, and governance topics are linked to our business model, where we see risks and opportunities, where we see the positive impacts of our business model.

To drive this process, we're taking some decisive steps. I will continue to make sustainability, ESG as a whole, my personal responsibility for the Fresenius Group. We're implementing a group sustainability board this year, headed by myself, to align and coordinate all our sustainability activities across the group. And at the same time, we will continue our work on defining an integrated strategy for financials and nonfinancials and define the right performance indicators to make our efforts more visible, more tangible for all our stakeholders. These KPIs will also be part of our refreshed board compensation system which we plan to put on the agenda of our 2021 Annual General Meeting.

That, and you may say finally, concludes our prepared remarks. And now Rachel and I will be happy to take your questions. Thank you for your interest and your patience.

Q&A Session

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

Veronika Dubajova: Good afternoon, Rachel, Stephan, Markus. Thank you for taking my questions. I will keep it to two, please. The first one is just trying to understand the moving parts for the Kabi EBIT guidance for 2020. In particular, if I look at the low end of the expectation range that you have, the minus 4%, it'd be great to get some color from you on what that assumes for the profitability development in particular in North America and the biosimilar investments. And is that really where you've taken a cautious view, or are there other moving parts that would get you to that minus 4%?

And then my second question is a medium-term guidance question. If I recall correctly, when you talked about the 5% to 9% CAGR a year ago, one of the things that was underpinning that was the acceleration in revenues and, more importantly, earnings in the biosimilar business. Just curious, with the statements that you made today, does that reduce the probability that you end up at that 9%, or are there other things you see in the business that can help you offset that slightly slower progress in the biosimilars business? Thank you.

Rachel Empey: Hey, Veronika, thank you very much for the questions. I think I'll take the first and Stephan will take the second. So let me start. Your question on the Kabi EBIT guidance, so as you quite rightly reminded, we have guided of a decline of up to 4%. Let me give you a little bit of commentary on the moving parts and try to put into context some of the comments from my prepared statements.

So firstly, very clearly, we guided North America organic revenue as broadly stable. And clearly, given the pricing pressure that Stephan and I both spoke about and at the same time the continued product diversification that we have, both of those can put some pressure on the relative margin that you would expect, and hence why I said in my prepared remarks that we do expect an EBIT decline in North America for 2020. And clearly, that is a significant contributing factor to that slightly negative EBIT guidance that we gave.

At the same time, I would reiterate that the incremental depreciation that we see in 2020 coming from those all-important growth-driving investments that we've made in CapEx recently does contribute, I would say, at least a reasonable amount to a negative amount that we need to swallow in terms of EBIT. And that is also a contributing factor.

And at the same time, we are ramping up those biosimilar sales and marketing expenses, particularly in Europe, but also starting to look at our capabilities and positionings in the US. And of course, we are expecting a significant ramp up in biosimilars sales in Europe coming from Idacio in 2020. But clearly, we are still at the beginning of our journey there. And of course, the costs do have to come before the revenues as you start those sales and marketing activities.

So those are clearly some negative contributing factors that lead us to those numbers. But I would, of course, make the point in counterbalance that the rest of the business is running very well at Kabi. We still anticipate a very nice performance, high single-digit growth in the emerging markets, and also some good continuing profitability there, which will of course also help counteract some of those negative effects that I mentioned and thus bringing us to the range of up to a 4% decline for the year.

Stephan Sturm: Veronika, on the medium term, thanks for your question. Obviously, pushing out the expected breakeven by about a year doesn't help it on a standalone basis. At the same time, I was so keen to provide you with a bit more granularity, a bit more detail on our portfolio to make it clear that this is more than just the Ada launch in the United States. And I would hope that, at least from my comments on Toci and Peg, you can draw some comfort that we are making good progress here.

Having said all that, I also feel reassured by the developments that we're seeing at Helios, not only but in particular in Germany, by the progress that we're making also with the international rollout into Latin America.

I also feel reassured by the latest developments at Fresenius Medical Care, where I applaud management for the strong underlying business growth that we've seen in the last quarters. And therefore, despite that in isolation not positive factor on biosimilars, we still stand behind the full medium-term guidance range.

Veronika Dubajova: That's helpful. Thank you for the color. Can I just follow up on the Kabi EBIT guidance? Sorry to sort of -- I just want to make sure that I -- we drive the point home. But do you see a scenario whereby the Kabi North American margin could be lower this year than the 35% that you've talked about as the midterm level, and is that contemplated within the range or not?

Rachel Empey: Veronika, I think the IV 35% margin for North America that I reiterated today, we see that as a, if you like, sustainable range over time. You have seen that we have had some quarters that fall below that range and some that fall above that range, dependent on what is a relatively volatile market. And you know that some moving parts that are not always beyond our -- within our control, sorry, can make quite a difference there.

So I don't think it is unthinkable that you could see a margin that is below that in one particular year -- and that includes 2020 -- in the same way that we've seen many years that have been above it as well.

Veronika Dubajova: Understood. Thank you very much.

Tom Jones: Good afternoon. Thanks for taking my questions. Unfortunately, there are a couple of follow-up ones on Kabi North America. The first one I guess is a big perhaps more strategic one. For the kind of expansion in the portfolio that you outlined on Slide 5, for some of those, we can work it out, but for others, it would be helpful to know or at least get a sense of how much of that you intend to do purely organically, how much you are kind of buying up M&A as being the main driver, and which of those categories is perhaps coming from a mix of those growth sources.

And then just a kind of -- maybe some help in how to think about margin for the North American business over the medium to long term, you've given a kind of sustainable target of 35% for the IV drug business, but as all these other parts grow, I doubt many of them are going to be as profitable as the IV drug business. So how should we be thinking about the kind of general direction of travel and perhaps ultimate destination of the EBIT margin in the North American business?

Stephan Sturm: Tom, thanks for your questions. I can be relatively brief on the first one. And that is that we are generally prepared and generally working on the assumption that this will be done organically. So, we're going to see a bit of an SG&A buildup in particular when it comes to further broadening the access to these other distribution channels.

But at the same time, I'd be a fool to rule out an acquisition in this space. You know that -- and that is why I made the comment that you've seen a version of this slide before -- that we have tried the broadening, the fast forward of the broadening of our product portfolio before. Suitable targets are few and far between, but if there is one, then we'd most certainly take a look at it.

Rachel Empey: Tom, your question on margins in North America, you quite rightly picked up on the point that I was making that, of course, we do have a different set of margins across the different products that we are offering. And as part of the diversification strategy that we've just been discussing and as Stephan talked about at length, we do anticipate seeing over time a continued growth in our IV business, but also continued growth in the other product groupings that we already have or that we hope to launch in the US.

And that does mean that you're absolutely right. Over time, we will see some sort of mix effect in North America. Obviously, the weight of the IV business is particularly strong in that region. And thus, I would say you won't see significant jumps in any one particular quarter or year, but that is something that you should anticipate over time that will grow the IV business. But we will probably in percentage terms grow some of the other businesses more quickly. They are relatively small now, but they will gain some weight. And that will have some impact on margins reported for the whole North American region over time, absolutely.

Tom Jones: Okay. That makes sense. And maybe just one quick follow up on Helios, if I may. The investments you've made in Madrid at the Pozuelo facility, are they part or is that one of your PPP facilities? And are those investments part of kind of capital spending that you were obliged to do under your capitation contract, or is it new spending? And if so, does it have any impact on the duration of that contract, which I believe runs out into the early '40s?

Stephan Sturm: It's not part of the PPP, Tom. It is separate and therefore has no effect on contract duration.

Tom Jones: Perfect. That's very clear. Thank you very much.

Stephan Sturm: Thank you, Tom.

Patrick Wood: Perfect. Thank you very much for taking my questions, everyone. The first one, Helios Germany, I'm probably being slow on this, but if you're taking some of that extra cost base out within the 2020 year and then as well as seeing a relatively stable top line, I'm a little surprised that the margin structure would still be down. Is that a function of the investment in the outpatient facilities and that sort of thing? Just some color around the margin structure, that would be quite helpful.

And equally, within Germany, what do you think you're seeing from your competitors? Because I would imagine they've not been quite as robust in taking the cost out post the

DRG carve-out. Are you seeing any volume benefit from patients yet? I know we've all been waiting for it over the years. But I'm just curious about the competitive landscape. Thanks.

Stephan Sturm: Patrick, I have to say, covering the high double-digit million initial shortfall with quite a variety of pretty ambitious measures, I'd say, if we really manage to get there, that is quite an accomplishment. So therefore, keeping the absolute level stable will be, in my mind, a success.

At the same time, you have seen the record high DRG inflator. You have seen us -- even though I wouldn't rely on it, but you have seen us now for two quarters in a row showing admissions growth. And so I think we can have a pretty good feeling about above-the-recent-norm organic top-line growth in Germany.

And therefore, maybe I don't get your question, but the combination of that aim, pretty ambitious aim to maintain the absolute EBIT level and driving the top line, would necessarily result in a margin dilution. But maybe I am slow.

Patrick Wood: No, no, no. It was basically the idea of, essentially, if you have a cost headwind -- I'll take random numbers just to sort of illustrate the point. If you have €100 million of a cost wind in one year, and you offset half of that, so you're carrying over €50 million, and you're hoping you're going to offset the other €50 million in the subsequent year --

Stephan Sturm: No, no, no. Patrick, that is where I believe we're getting the confusion. It is the entire amount that we're offsetting this year. When I was talking about tangible ideas to offset about half of it last year, it was still the idea that we would manage to do that in 2020. And now I'm confirming that we also feel positive that we can find an offset for the remaining half.

Patrick Wood: Got it. That's helpful. Thank you. And then just as a quick follow up on, predictably, Kabi North America, just quickly on that, two things. One, how do you feel about the phasing of ANDAs through this year? And do you feel there's less of a risk this year that you get the backend weighting we saw last year?

And then equally, do you think there's any vague benefit you could see from some of the FDA observations that some of your Indian competitors have faced? Thanks.

Rachel Empey: Patrick, in terms of the phasing of ANDAs, clearly, it's an art and not a science in terms of deciding exactly how that regulatory process will run and when we're able to bring those products to market and how that will run. Nevertheless, I would say it is more backend loaded than frontend loaded, but less backend loaded than we saw in 2019 in terms of our overall expectation. And your second question, Stephan will take.

Stephan Sturm: Patrick, that is at least what we would be hoping for that we will be able to try and avoid the few delays that we were observing in 2019. On your two questions related to competitors, I failed to answer the first one. On the FDA findings, frankly, I would like to abstain from making a comment. I think it is in any case too early, but also inappropriate to comment in that it would be a speculation.

On the German hospital scene, my observation remains the one from Q2 and Q3 last year. All these various government and regulatory initiatives that we've seen in our minds drive at least gradual consolidation in the German hospital market. Smaller, less specialized hospitals will find it generally a bit more difficult to attract qualified staff, will find it more difficult to cope with the minimum case numbers. And therefore, as I indicated, we're seeing at least slightly growing number of consolidation opportunities. I'm choosing my words carefully here because I wouldn't talk about acquisition targets. It is in most of the instances fallen angels, hospitals that are really in financial trouble,

sometimes already in insolvency. And therefore, when I was talking about being disciplined, that most certainly also relates to this particular area of our business here.

Patrick Wood: Super. Thanks for taking my questions.

Stephan Sturm: Thanks, Patrick.

Michael Jüngling: Great. Thank you. Hello, everyone. I have three questions. Firstly, on biosimilars, can you give an indication of what you expect the biosimilar sales will be in 2020 in Europe?

Question number two then is on M&A. You can pretty much read now in many sort of press releases and in journals that a large hospital group that is owned by a previous seller to you is thinking of bringing a large hospital back to market. I'm just curious how you view the French market at the moment.

And then question number three is in relation to Kabi USA. The 15 product launches that you've got for 2020, that equates to a \$1.3 billion original value. To what year does this relate to? Is this a 12-month number, a 12-month rolling number, or is it a 2018 number? And is this value already subject to generic competition today? Thank you.

Stephan Sturm: Michael, thank you, but I don't think you will be surprised that I will be fairly brief. I can be most constructive on your \$1.3 billion market value. That is a rolling 12-month number, and it is partially subjected to generic impact already.

On hospitals, we have said that, over the course of this year, given the success that we've had in Spain, we will take a look as to whether there is potentially a third European country where we could expand into. And at this point right now, I would not rule out any country in particular. At the same time, I would not think aloud any country in particular. Any market has structural challenges, but also opportunities. The challenges, as long as they can be reflected in a specific valuation, I'd say is something that we can deal with.

Your biosimilars question, as we've said last year, we would be targeting a high single-digit million-euro amount for 2019. That is achieved. And for 2020, we would try and achieve a multiple of that. That is the wording that we chose, and I'd like to stick to that for the time being. For 2020, I think, in particular, on a quarterly basis, it is too early to break out our biosimilars revenue in a separate reporting line. That is something that we will be planning for '21. But rest assured, Rachel is going to give you at least a qualitative comment on our quarterly calls.

Michael Jüngling: Great. And then may I briefly follow up then on Europe biosimilars? So far, if I look at some of the data that we have, I think your market share in Germany's only 0.4% for your first launch. How do you improve that? What do you need to do in 2020 and '21 that you get more oomph, get more market share? Because currently, since the launch, it hasn't been as strong as I would've expected. So, what is the magic thing that you need to see the pickup in Europe?

Stephan Sturm: Michael, we have a few plans. I'm not prepared to share those with you, at least not on this -- no, in general, not to share those with you for the time being. Bear -- I have to ask you for your patience. But I can assure you at the same time that there are quite a few ideas in our arsenal.

Michael Jüngling: Okay. Thank you.

Ed Ridley-Day: Good afternoon. Thank you. Firstly, on Kabi North America, the -- can you give us anymore color on the delays that you have seen in US launches last year? And first of all, what in more detail was causing those delays and why you think -- you hope there won't be any further ones? That'd be my first question.

And then on China, now I understand that it is very early, obviously, in this situation. But most of your healthcare peers have felt able to include it in an updated guidance or given more color. And given your manufacturing exposure in China, and I believe -- and please correct me if I'm wrong -- you have manufacturing in Central China close to Hubei, I'm surprised that you feel that there may not be much impact. So could you speak to that as well? Thanks.

Stephan Sturm: Ed, thank you. The reasons for the delay, we've done a very thorough review, and in our minds, this had nothing to do with the quality of our submissions, and it had also nothing to do, at least not a lot to do, with the FDA being slow in responding to us.

The key factor that we isolated was that it took us too long once we received an approval to turn that into an actual market launch. Sounds pretty easy to overcome, but frankly, when I was taking an even closer look, what was driving this was that, during the phases of severe drug shortages, where basically we were completely sold out and were trying to sustain the market out there, we had focused for too much and for too long on products that were readily available rather than doing what we call manufacturing at risk, so manufacturing a batch and putting it into quarantine ahead of us actually receiving the approval from the FDA. And that, given drug shortages normalizing and us adding capacity, is something where we just don't have an excuse for anymore. And therefore, I would at the very least expect that we can trim that interim period very meaningfully. And that gives me a bit of optimism about a shortening of those delays this year, even though I will tell you those effects have not found their way into our model.

On corona, Ed, I'd be interested to learn who you're talking about because, last time we checked, we couldn't find anyone who gave a specific guidance on the financial implications. And frankly, if you're looking for something that is reliable, I don't think that anyone can actually provide that. I have no idea and I don't know anyone who has an idea for how long this is going to last. For what I can tell you is that our manufacturing plants are back onstream after -- and here, I'm talking about Fresenius Kabi -- after an extended New Year's -- Chinese New Year's break. That is good. That does not apply to our Wuhan plant. At the same time, this is small. We're employing 50 employees there with frankly a negligible financial contribution. And therefore, that doesn't move the needle at all. What I can tell you is that any patient who has a choice -- and most patients do have a choice. Most cases are elective -- will not go anywhere near a hospital. And therefore, surgery to a very, very large degree is postponed.

Also, when it comes to our salespeople, even if they have products, given the logistical constraints going across provincial borders, they're not going to let -- they're not going to get anywhere near a hospital. And even if so, they wouldn't find anyone there to talk to as far as procurement at a hospital is concerned.

So it is a very interesting question as to how much of what I just described is going to be gone for good or to which degree we're going to see a catch-up effect if and when this normalizes. For now, hospitals are working by and large off their inventory, which will have to be replenished at a later time. I would expect that we're going to see some catch-up effect, but that we're also going to see a net negative effect.

What I will also tell you is that what really matters in China for Kabi is our clinical nutrition business. There, you will recall we are in a joint venture structure. So, the EBIT effect on Kabi is going to be larger than the group net income effect. And that therefore is also a, if not the, key reason why we feel comfortable with the situation as it presents itself right now. And with reasonable assumptions, we would be looking at a not-significant impact on group net income. I hope that helps.

Ed Ridley-Day: Yes, that does. That's very helpful. Thanks. I think all I'd say is, in the device companies we do are, as you say, suggesting 50% to 80% reduction in volumes in February, depending on who you speak to. So, you feel that, at the moment, it's obviously manageable. I guess, looking forward, I presume you would want to update the market if we got into March-April and the situation hadn't improved.

Stephan Sturm: Look, I think it is a big difference talking about the effect of an individual half month or giving you a reliable full-year guidance. I'm talking about the latter. And I think, there, we just simply cannot get you something that is reliable. But as you would expect from us, of course, we're going to give you an update at the latest as part of our Q1 call, if anything really meaningful happened, also before.

Ed Ridley-Day: Fair enough. Thank you.

Christoph Gretler: Hi, actually now, Stephan, Rachel, appreciate your taking the time and speak to us now, despite that you apparently have the flu, Stephan. So, I just wanted to actually dig one more time into this biosimilar question. Actually, could you give us an indication what kind of plans you have in terms of profitability longer term for that business?

Stephan Sturm: Christoph, for the avoidance of doubt, it's a cold, not the flu. And even though I've been to China in early January, I generally feel very healthy. As far as the biosimilars profitability is concerned, we continue to work on the assumption that there is going to be a very meaningful discount to the originator price. And as I indicated during my prepared remarks, occasionally in particular, in tender situations, that discount has even been a bit larger than we originally expected. But it is also pretty early days in our minds. And those tender results fluctuate greatly from country to country. And therefore, we will watch this. I want to stick as far as profitability is concerned to our very first statement that we made in this regard. And that is that I simply do not see why the gross margin for a biosimilar should be lower than for a small molecule generic. And at the same time, I do not believe that there is going to be a meaningful margin premium for a biosimilar there. The long and the short of it is we would expect a margin profile that resembles that of a small molecule generic pretty closely.

Christoph Gretler: Okay. Thank you. Another question just on this now Slide 5, basically, could you give us an indication how much of sales you already have, let's say, in the outside IV drug business right now? And by 2023, kind of how much sales you would expect to come for -- from these kind of expansion opportunities, just kind of in the ballpark?

Stephan Sturm: Outside, I would say we are looking at a high double, low triple-digit number. And we look at substantially expanding that over the next years.

Christoph Gretler: Okay. Thank you. Appreciate it.

Stephan Sturm: Thanks, Chris.

Falko Friedrichs: Good afternoon. It's Falko from Deutsche. Two questions, please. Firstly, can you give some color on the new joint venture with Vifor Pharma in China that was announced today and the potential or opportunity you see for the IV iron business in China going forward?

And then secondly, also on Kabi, can you give a bit more color on these regulatory changes in China and what's behind that? And would you be able to quantify the impact on your business by any chance?

Stephan Sturm: Falko, I'm sorry. I will have to be fairly brief on both. We would like to coordinate any announcement with our friends at Vifor, who as you know are also very

close allies of Fresenius Medical Care. But when I was talking about the size and the energy level of our Chinese salesforce a bit earlier on, that is very clearly what has attracted them as well. I believe we have a very good penetration in that market. And we will therefore be going to be very -- we therefore are going to be very effective in penetrating the market for liquid iron, which is a pretty sizable one in our minds.

As far as the new drug registration list is concerned, yes, I have made comments to that effect already earlier on at the conferences that I was speaking to -- speaking at that we would be looking at a bit more pronounced price erosion this year, more than the usual, I would say, 2% to 3% price erosion per annum that we have witnessed over the years. We had some outlier years also over the last decade, but nothing in our minds to structurally worry about. I would say, in our minds, you can add, say 1, 2, 3 percentage points extra for that effect this year. Hence, when I was talking about us maintaining the pace in Latin America but still for the emerging markets as a whole getting to the high to very high single digits organic growth, that's how the math works.

Falko Friedrichs: Okay. Thank you.

Hassan Al-Wakeel: Thank you for taking my questions. I have three, please. Firstly, on a third potential European market and maybe a bit more generally, could you talk about some of the key market features that you would be looking for when assessing entry into a new market? And is there a strong pipeline of deals under your consideration currently? And what kind of hurdles or returns are you working towards?

Secondly, can you provide an update on what you were seeing in the Spanish market from a consolidation perspective? I know that you have historically been disappointed by the lack of opportunities here.

And then finally, on Kabi US, do you think that Q4 represents somewhat of an inflection? And what to your mind are the key upside risks for guidance for Kabi US in 2020? Thank you.

Stephan Sturm: Thank you, Hassan. I'll take the hospital questions. As far as the characteristics of a European country market that we'd be interested in is concerned, political stability, ideally an undersupply of the population with hospital beds, ideally already a pretty advanced structure as far as sector borders between ambulatory and stationary care is concerned, ideally some pretty novel reimbursement schemes that favor what we are particularly good at I believe, and that is capitation. Basically, it's the entire list that led us to Spain and let us find Quirónsalud that we would be applying. But you heard my comment a bit earlier on. I am not under the illusion that there's anything like a Quirónsalud still out there. So, the answer to your other question, no, we're not looking at an extensive pipeline of potential transactions. Therefore, if we have to make -- if we had to make concessions as far as these ideal characteristics are concerned, we would either abstain or try to reflect a shortfall in the valuation that we'd be prepared to pay. One of the criteria that also led us into Spain was the fragmentation of that market. And as I said at the time we announced the acquisition, Quirónsalud is about the size as the next 10 competitors taken together. And therefore, yes, your observation is correct. I've been at least mildly disappointed, surprised/disappointed about the lack of consolidation opportunities. It is in stark contrast to what we're currently seeing in Colombia, where we are looking at quite -- have looked at quite a number of acquisition opportunities. A trend like this is exactly what I would've expected in Spain. It hasn't materialized yet. It may come about a little bit later.

Rachel's going to take your Kabi question.

Rachel Empey: So I think two parts to your Kabi question. The first one I think was around, is Q4 some kind of indication of an inflection point or stabilization in certainly upsides to the guidance for Kabi North America for 2020? I said already in my prepared

remarks there is somewhat of a stabilization to be seen within our numbers for Q4 if you compare the performance overall, both in terms of revenue and EBIT between Q3 and Q4. Nevertheless, as we've discussed at length over the years, it is by its nature a volatile market, which is relatively unpredictable. So yes, I would say there is some degree of stabilization in Q4. And clearly, we have given you a guidance towards somewhat stabilization of revenue for 2020. But nevertheless, there is in-built uncertainty, both risk and opportunity, and volatility in terms of the market. I think the potential upsides come from the obvious moving parts that we've been talking about. Clearly, if we don't see the price pressure to the degree that we have been anticipating or in a different phasing than we've been anticipating, that could give us a potential opportunity.

Clearly, if we are somewhat luckier in terms of the phasing of the launches than we have planned and we are able to get into the market more quickly and potentially get more market penetration on those new launches than we have anticipated or finally or further, if you like, in terms of the diversification point, maybe we have some further uptake more quickly than we had planned on some of the alternative products. The medical devices business, as you know, is to some degree driven by tenders, if we were to win a tender that we have not anticipated or earlier than planned. And I think finally and the most obvious one that is absolutely not within our control, if there were to be a further shortage or manufacturing problem at one of our competitors, that would also from my perspective represent an upside opportunity. Just because I've listed the upside opportunities, it doesn't mean that there are not downside risks. And the guidance that we've given you is our balanced view, given the volatility and uncertainty within the market. It's the balanced view of those risks and opportunities and hence why we arrived, based on what we can observe, with the stabilized, broadly stable approach for revenue for North America 2020.

Hassan Al-Wakeel: Thank you very much.

Stephan Sturm: Thanks, Hassan.

Oliver Metzger: Hi. Thanks a lot for taking my questions. The first one is on Idacio. You said that sales of Idacio are expected to increase significantly in 2020. How far into the future is your visibility? Do you have already signed some supply contracts, or what are the reasons for your bullish expectations?

My second question is on Helios. Just on the overall market, at first glance we talk about the DRG inflator at record level. There are some uncertainties regarding the factors set for respective treatments which could have adverse effect. The rate also differs on the federal level. How certain are you at current stage about the price component in the budget for this year?

Stephan Sturm: On your biosimilars question, thank you. As I alluded to, we have secured a few tenders. I mentioned the three in Italy. There are smaller ones on top. I'm also taking some comfort from the momentum that we have seen over the course of Q4 and Q1. And finally, that is what we wanted to indicate with that slide of the European penetration. There are more tender opportunities coming along. Generally, countries don't wait with a tender for us to show up in the marketplace. So, we will in 2020 be in a much better position to participate in tenders when they arise. And frankly, finally, it is also an annualization effect where we had only a partial contribution over 2019 and now a 12-month contribution in 2020.

As far as the DRG effect is concerned, I think, as a rule of thumb, we can work as in the previous years with the assumption that about two-thirds of that headline DRG inflator are actually and eventually going to arrive in our sales line. And so I don't see a reason why that should be at least meaningfully different this year.

Rachel Empey: Maybe, Oliver, I was just going to make one comment on that just as a reminder. Of course, you need to take account of the new carve-out of the nursing costs, which will be reimbursed separately. And there is, of course, still some degree of uncertainty exactly how that will run. We have good clarity, but nevertheless, the devil will be in the detail in terms of how that finally flows through the P&L, in addition to the usual effects that Stephan explained from the DRG.

Oliver Metzger: Okay. Great. That was my follow up. Get well soon. Thanks a lot. Bye.

Stephan Sturm: Thank you, Oliver. And for the avoidance of doubt, I'm not sick at all. But that takes us to the end of our call, also with a view to the call of our friends and colleagues at FMC starting in a good 15 minutes.

Thank you for your patience, bearing with us through our prepared remarks. I hope you will appreciate this is the forum where we really want to share with you what's going through our minds. But we have made sure that we've left a good amount of time for your questions. I hope overall this was instructive. Rachel and I will be on the road now. We'll be meeting many of you soon. And we'll be looking forward to your comments and questions. Thank you for today. All the best.

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