CORPORATE PARTICIPANTS

Stephan Sturm, Fresenius SE & Co. KGaA – CEO  
Rachel Empey, Fresenius SE & Co. KGaA – CFO  
Markus Georgi, Fresenius SE & Co. KGaA – SVP IR

CONFERENCE CALL PARTICIPANTS

Veronika Dubajova, Goldman Sachs  
Michael Jüngling, Morgan Stanley  
Julien Dormois, Exane BNP Paribas  
Patrick Wood, Bank of America Merrill Lynch  
Thomas M. Jones, Berenberg  
David Adlington, J.P. Morgan Cazenove  
Hans Boström, Credit Suisse  
Hassan Al-Wakeel, Barclays

PRESENTATION

Markus Georgi: Good morning to everyone joining us on the line today. I am joined on the call today by Stephan and Rachel. We would 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. With that, I will pass the call to Stephan. The floor is yours, Stephan.

Stephan Sturm: Thank you, Markus. Good afternoon and good morning, a warm welcome. Thank you for joining us. As always, we appreciate your interest in Fresenius.

Markus has pointed out the safe harbor language to you. So let's move right to Page 3 and our Q2 highlights. All in all, another good quarter. And hence, we're looking at a rock solid first half. We are very pleased to see ongoing healthy organic sales growth across all of our business segments and to see group net income, currency adjusted, on last year's level, despite us absorbing the earnings dilution from NxStage and absorbing FMC's ESCO adjustment. So I'd call the underlying business development for the group slightly better than originally anticipated.

At the same time, we are in rigorous pursuit of our various investment initiatives to secure long-term sustainable growth, and here, we are making good progress. Take Kabi as an example. Early May, we successfully launched our first biosimilar under the brand name Idacio in Germany. By now, we are already in five European countries, with more to follow. Thus, as expected, we are seeing initial sales contributions from our new business area already this year, fully in line with our original business plan.
I also consider a Q2 highlight that Kabi's outstanding financial performance in the emerging markets has not eased. Much rather, it even accelerated. As you know, we have consistently invested in our emerging markets presence over the last years. Now we are reaping the benefits, and we continue to invest.

Helios Germany showed strong organic growth in Q2 despite the Easter effect. And we continue to invest into CapEx and OpEx to mitigate the effects of regulatory changes and feel reassured that our initiatives will support and drive solid profitability in the next decade.

Onto Helios Spain, which continues to deliver dynamic growth. Here, largely overcoming the Easter effect is even more remarkable. So we are pleased with the diligent execution by our Spanish colleagues. And at the same time, they are leading the charge when it comes to our progressing expansion into Latin America.

The acquisition of Clinica Medellin was completed in Q2, granting us an initial access to the attractive Colombian hospital market, which is an excellent starting base to explore further opportunities in this region.

At Fresenius Vamed, I continue to be impressed with the smooth integration of Helios's German post-acute business. So we've freed up management capacity at Helios and can go about synergies between our post-acute businesses now under the Vamed roof without jeopardizing intra-German synergies with Helios's acute care hospitals.

Over to Fresenius Medical Care, where we applaud the US administration for its plans to change the way care is provided to kidney disease patients. As you know, FMC has been at the forefront of various initiatives to promote home dialysis, improve access to transplants, and develop new, value-based care models for chronic kidney disease patients. And so for us, the President's executive order is a welcome confirmation of our strategy. The proposed reimbursement models and new incentive schemes, they can foster innovation and support a healthcare delivery system that improves outcomes while facilitating overall cost reductions.

Actually, we always felt that the ESCOs were an important innovation to meet just these objectives. And hence, while being aware of some initial flaws and weaknesses, we embraced the related pilot like nobody else and have, since inception, undoubtedly achieved meaningful quality improvements and cost savings. There are, however, differing views as to the baseline relevant for benchmarking these pilots, and we are, frankly, somewhat frustrated over goalposts that, despite numerous assurances to the contrary, appear to be moving. And so whilst the baseline calculations remain work in progress, we feel it is prudent to adjust the rate of savings we have applied to accrue revenues and earnings. Going forward, we need to evaluate whether all of our ESCO projects can be continued under these conditions. For the avoidance of doubt, Fresenius Medical Care remains keen to further contribute to cost containment in healthcare. But we request a reliable and fair compensation for the risks we are taking on. So we particularly welcome the executive order, promoting premium and capitation models as very viable and credible alternatives to the current share-in-savings model with its inherent and notorious ambiguity. And you will know that we at Fresenius have broad and largely good experience with such models for everybody involved at Helios in Spain.

Now Rice and Mike will give you a more detailed update in the FMC call later on. And on a more positive note, we have made good progress in our search for a CFO to replace Mike later this year when he's going to retire. We have identified a very suitable candidate and expect to be able to make an announcement in the coming weeks.
Coming back to Fresenius Group, given rock solid 6% sales growth in the first half and considering enhanced visibility on the sales contribution from NxStage, we are increasing our guidance range to 4% to 7% constant currency growth for the full year.

With regard to earnings growth, we confirm our expectation of around 0%, again at constant currency, as I said, despite us absorbing the initial earnings dilution from NxStage and FMC’s unforeseen ESCO adjustment. Rachel will provide a broader perspective as part of her prepared remarks.

And so with that, onto Page 4, with an update on Kabi, starting with the injectables market in North America, where we have seen a 1% organic sales decline in the second quarter, leading to an also 1% decline in the first half. The Q2 decline is, like in Q1, primarily volume driven. You will recall our observation that the Q1 ’19 volume decrease was largely caused by destocking. As hospitals and wholesalers saw certain shortages easing, they chose to reduce safety stock levels. That destocking phenomenon has largely concluded in the course of Q2. And our analysis suggests that much of the Q2 volume shortfall has been driven by, A, more competition for certain molecules, B, fewer and less pronounced shortages for meaningful drugs marketed by us, as well as C, the ongoing shift in clinical practice for pain management away from opioids.

Intensity of competition in sterile injectables has somewhat increased due to the FDA continuing to focus on accelerating approvals of shortage drugs and drugs with a limited number of competitors. We very much expect, though, that our strong customer relationships, based on product quality, supply reliability, and client service, our contract positions, as well as our product pipeline will allow us to successfully protect our leading market position.

We continue to believe that the group purchasing organization model serves the US acute market well. You have all no doubt been following the press releases by Civica Rx. Their activities have prompted each of the major GPOs to launch their own drug shortage prevention program. We certainly appreciate all efforts to alleviate drug shortages, and we are actively engaged with all of these programs, but we are convinced that the only way to significantly impact chronic shortages of injectable drugs in the US is to invest in more high-quality, reliable manufacturing capacity. And that is exactly what we’re doing.

A little more color on shortages. At the face of it, we are seeing more stability. End of Q2, 36 Kabi IV drugs were designated in shortage, the exact same number as at the end of Q1. Underlying, though, we have seen some changes of our mix of sales of those shortage products. That means several key shortage situations have resolved, and others have eased, and hence represent less of a tailwind for us. Are these developments a game changer? No, we don’t think so. The US injectables market has always been subject to some volatility. Most of the issues we’re currently dealing with we have seen before. Many of them were anticipated when we set our guidance. And for those we haven’t, we’re managing them now. So we expect to see some acceleration of organic sales growth in the second half.

Now on what do we build our optimism? A, new drug launches: We have launched seven new products year-to-date. And with that, we are on track to achieve our target of approximately 15 new products this year. The incremental sales volume coming from these launches is expected to be more backend loaded, though. Quite a few of the seven drug launches to date also happened more towards the end of the second quarter. And some of the now imminent launches have more meaningful sales potential.

B, our analysis shows that destocking largely concluded in Q2. And we therefore believe that a somewhat accelerated volume growth is a reasonable assumption for the second half. And finally, C, especially the fourth quarter for 2019 is a somewhat softer comp, so quite a few reasons to believe in some acceleration of organic sales growth in the second half to then also conclude the year in positive territory.
One word on pricing in the US market. I told you in the first quarter that, given destocking, we chose to keep our pricing stable. And I said that, if we saw volume pressure to persist beyond destocking, we were ready to return to the more usual pricing trends of low single-digit declines in our base portfolio. And that is exactly what we have done in the second quarter.

Now against the backdrop of currently intensified competition and some normalization of the overall shortage situation, we are prepared to be slightly more aggressive to protect our market shares. So price erosion in the low to mid-single digits, a notch higher than recently, but consistent with historical trends, should be a fair assumption for the second half of this year, a notch higher than recently partly as a consequence of shortages easing. But to be clear, particularly for the notorious bears amongst you, we stick to our mid to high 30s EBIT margin expectation for our IV drug business in the US.

Now over to biosimilars on Slide 5. As I said, we have successfully launched Idacio in five European countries, and the rollout in the other EU countries is well on track. Kabi offers Idacio in all indications and in a prefilled syringe, in an auto-injector, as well as in a vial presentation. In parallel with the product launch, we have also launched KabiCare, a patient support program, offering educational tools to patients and healthcare professionals. Sales ramp-up and pricing of the products are in line with our expectations so far. However, let me remind you that we expect a very limited financial contribution from biosimilars this year. Regardless, 2019 is a very important year for this new business, and our first market entries in Europe will provide us with some real-life experience and further insights for 2020 and beyond. Our US launch plan is also well on track. FDA, in a meeting just last night, has concurred with our proposed development strategy to demonstrate biosimilarity with the originator product. So we're reassured that, at the latest, we'll have obtained an FDA approval come 2023, the launch date as per our settlement with AbbVie.

Over to our fastest growing Kabi division clinical nutrition, and there, parenteral nutrition first, where in the first half of 2019, that business continued its dynamic growth that we had observed throughout 2018. From a regional perspective, the fastest growing markets are China and the US. Both markets show a nice ramp-up of sales for our four-oil lipid emulsion SMOFlipid and the fish oil containing lipid supplement Omegaven. And our portfolio of ready-to-use three-chamber bags is a further significant contributor to the steep global growth. In enteral nutrition, we have also seen strong growth in the first half, testament to our very competitive product offering. Particularly sip and tube feed products were driving the growth in Asia, Europe, and Latin America. And we expect demand for our products to continue to grow. Hence, as you know, we're investing significantly in this business to further support Kabi's long-term growth.

In China, our single-largest enteral nutrition market, we are fully localizing our manufacturing in order to serve the local demand even more effectively. So we have installed a new Easybag production line at our Wuxi site and are running it since earlier this month. We will ramp up our investment at the Wuxi site over the next years with the clear target to localize a complete product portfolio for the new FSMP, food for special medical purposes, market segment in China. In addition, we will set up an R&D center on the Wuxi Campus. Strategically, our leading position in hospital-based enteral nutrition serves as a great platform to capture the massive growth opportunities in the only just-forming Chinese market.

Beyond growth opportunities in already existing markets, there remain blank spots on the world map that we're trying to fill. So recently, we entered the Australian market with our sip and tube feed products. And even though that market is currently still small, it offers attractive double-digit growth rates.
One word on our transfusion and cell therapy business, TCT. We have now successfully completed the carve-out process, and the TCT can now operate as a focused and agile end-to-end division. I'm convinced that will reduce complexity and cost and release some energy without jeopardizing the small synergies with the rest of Kabi. We're now entering the final phase of our evaluation of strategic options for the business. And whilst no decision has been taken, you can see from the financial performance that TCT is providing us with quite a few good arguments to believe that we're the business's best owner.

Now onto Slide 6 with an update on Helios Germany, where we are making good progress with our investment initiatives. We are very pleased to announce that, year-to-date, we contracted around 1,000 additional nurses. So we accomplished our full year target within six months already. I believe this is remarkable.

Quite frankly, when we announced that target to hire an additional 1,000 nurses in the full year '19, given the nurse shortages not only in Germany but all over Europe, I had my doubts and felt that, at the very least, this was truly a stretch target. Now we are all the more pleased about our progress, which I believe is testament to our strong reputation as an employer as well as to our streamlined and accelerated recruitment process. This progress obviously helps us to further stabilize Helios's financial performance. In this past quarter, we have seen more sales in profitable areas, such as geriatrics, where we had experienced sporadic shortages of trained staff before and were, on too many occasions, were forced to turn down patients. This definitely supports our profitability. And hence, we will not stop here. Much rather, we will continue to hire additional trained nurses to prepare for potential further regulatory changes and, in any case, position Helios as the service quality leader in Germany.

Coming to chief doctor vacancies, over the course of Q2, we filled most of the vacant chief doctor positions. Finalization of this process will take a few more quarters though, and obviously, the new hires have to properly establish themselves locally in order to recapture the patient volumes lost in the meantime.

This leads me to clustering. Over the last two years and at our Capital Markets Day, we have been quite vocal about our clustering strategy and how we are driving forward initiatives to bundle quantities of complex medical interventions, and so improving medical outcomes.

In our view, there is a clear correlation between scale and medical quality. And now we are pleased that our strategy was recently positively reinforced by an independent study about the German hospital market which received quite some media attention. That study basically concludes that, in too many regions of Germany, there are too many hospitals and that this can lead to inferior medical quality for patients in these hospitals. As a consequence, the study suggests to shut down a lot of these smaller hospitals with low quantities for complex medical procedures. That probably sounds familiar to you. We have held and communicated that view for quite some time. Given that it's such a ringing endorsement of our strategy, we have put on our Website in the IR section a link to the German free TV documentary covering that independent study, and we are providing an English-language transcript. You will find it interesting.

As you know, for several years now, Helios Germany has concentrated on bundling complex surgical procedures at individual hospitals rather than offering them nationwide. And in quite a few instances, Helios voluntarily exceeds the requirements by the Joint Federal Committee for minimum quantities for certain operations. In addition, we are currently -- again, voluntarily -- introducing minimum quantities for all complex surgical procedures. Helios organizes, for instance, the treatment of cancer patients through regional tumor centers that our smaller hospitals are connected to. This ensures that every tumor patient receives our full and best possible treatment competence. Following that logic, further centers for cardiovascular medicine are under formation.
Next to clustering, we are also of the firm view that, due to the rigid distinction between in- and outpatient care in Germany, the interface between these two areas aches for major improvement. Here, we believe that especially digital solutions should better accommodate a patient’s transition from in- to outpatient care. And in that respect, we are making good progress with the ramp-up of our new business models. We are starting to offer telemedicine services together with the Canadian startup Dialogue. In future, patients can contact a doctor’s assistant via a digital platform. The doctor’s assistant would first query the patient’s health complaints. Afterwards, a video consultation, a visit to the emergency outpatient department, or to a nearby specialist will be recommended. We call it a digital waiting room, from which we show the further medical pathway according to an internationally recognized procedure. This will finally lead to more efficient processes, a better service level, and more targeted patient flows, which will also better utilize our hospitals and medical service centers. When patients arrive at the doctor, they will already have the assessment from their digital waiting room. Hence, patients don’t have to sit in the waiting room at the specialist’s until they get a diagnosis or are possibly sent to the next doctor. We are excited about that, since this is definitely a business model that is scalable in the future and can sustainably reduce cost levels. The service is planned to be activated by the beginning of 2020.

We are delighted that, in May 2019, the German newspaper Handelsblatt awarded Helios first place as the Best Health Service Provider among privately run hospital chains in the category Germany’s Best Clinics. To us, that clearly shows we’re one of the quality leaders in Germany and are convinced that we can lever our strength even better with growing consciousness for medical excellence among our German patients.

At smart.Helios -- that’s basically Helios's digital lab -- we are working to establish a digital platform for rehabilitation aftercare of chronically ill patients and to reduce frictions within the existing health system. Thus, our target is to provide patient-centered solutions and to transform how patient care is delivered beyond traditional care settings. You can see smart.Helios also as a network facilitator, helping to foster collaboration and cooperation within the broader Fresenius Group. For instance, the company enables Vamed to enter new business models with tele-rehabilitation aftercare. And it helps to create an increased patient base. Currently, for example, we're developing a digitized rehab aftercare app for orthopedics indications. We have also acquired a small but leading provider of innovative software packages for rehabilitation hospitals and for rehabilitation outpatient centers.

Over to Helios Spain on Page 7, the company has plenty of organic and inorganic growth opportunities and is leveraging those rigorously. In Spain, for instance, we are expanding our hospitals in Seville, which will have 30 additional inpatient beds, two additional surgery rooms, and will offer more complementary outpatient services. The total investment will be approximately €20 million, and we are expecting the hospital extension to open in early 2021. Furthermore, we acquired a hospital in the city of Albacete. Even though that hospital is rather small with expected sales of less than €10 million, we view the newest addition to our portfolio as highly complementary, as it possesses some synergy potential with our already existing hospital in the city. Coming to the outpatient medical centers, we acquired Digest, an outpatient medical center in Badalona. And since we were not present in this metropolitan area of Barcelona so far, this will clearly strengthen our hospital network in this area. And in addition, we opened two new outpatient medical centers in the cities of Alicante and Bilbao.

Quirónsalud is making good progress with its proton beam therapy project in Madrid. All necessary regulatory approvals have been obtained. The construction of the building has been completed. And we are fully on schedule with all installation works. Costs are also on budget. We're happy to confirm that the new center will be opened in December of this year. It will be the first proton therapy center in Spain. In the last two months, we have already made public presentations to introduce the new technology and have
received very positive feedback from the oncology community. The new center is clearly perceived as proof of our ambition to provide the best possible cancer treatment in Spain.

We’re not only leveraging our opportunities in Spain, but also in Latin America, where we are very pleased with the expansion and the progress of our more opportunistic strategy, resulting in a successful entry in the Colombian market. No decisions taken, but I won’t rule out strengthening this beachhead going forward.

Summing up, a rock solid first half of our investment year 2019, this year is about delivering on our commitments. And that is what we are doing and what we will also do in the second half of this year.

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

Rachel Empey: Thank you, Stephan. Good afternoon, good morning, or good evening, depending on your time zone, and a warm welcome to everyone. As you heard from Stephan, we are pleased that a good second quarter has led into a rock solid first half of 2019.

The results are shown in line with what we have explained to you in Q1. That means before special items and including the operating result of NxStage, and prior year figures are adjusted for the divestitures of Care Coordination activities at Fresenius Medical Care. They are also excluding the IFRS 16 effects. A comprehensive overview of all special items and adjustments is provided within the reconciliation tables for the group and the business segments in the appendix of this presentation. The effects from IFRS 16 are shown on Slide 9 and in detail on Slides 43 and 44.

So let’s switch to Page 9 and our key financials. And here, growth rates are on a constant currency basis. We delivered strong sales growth of 6% in Q2. Particularly pleasing is the consistent organic growth across the group. For the first half 2019, we are also at 6% growth and hence at the top end of our 3% to 6% constant currency sales growth guidance. I will talk about the upgraded sales guidance at the end of my speech.

EBIT showed a decline of 7% in Q2. The main driver of the year-on-year decline is obviously Fresenius Medical Care, who had a negative effect from the decreasing savings rate for ESCOs, including prior year effects.

With €122 million, interest decreased sequentially by 8%. The main drivers here are favorable market conditions, positive foreign exchange effects, as well as some one-time technical effects. Those more than offset the full quarter financing effect of NxStage. So we now expect the full year interest results to be in the range of €540 million to €560 million for the full year. This implies an increase of interest expense in the second half, mainly due to the effect of NxStage and incremental refinancing activities as well as the positive FX and one-time items of half one, which are not expected to reoccur in the second half of the year. The financing opportunities for the group will remain very strong, especially considering the recent ratings upgrade from Standard & Poor’s. To be clear, those expectation is ex IFRS 16 effects to provide a comparable basis to 2018 figures. We expect that IFRS 16 will increase net interest by around €200 million on an annual basis, which you will see in the reported figures.

The guidance-relevant group tax rate before special items reached 22.8% in Q2 and 23.1% in the half year, which was in line with our expectations. For the full year, we confirm our expectation of a tax rate between 23% to 24%.

So let’s move onto net income, which came in at about €480 million in the second quarter. That’s flat year-on-year. Year-to-date, that also brings us to a net income on prior year level. Hence, we are fully in line with our full year expectation. That is very
pleasing considering the negative one-time effect from FMC's ESCO adjustment and the absorption of the earnings dilution effect of NxStage.

As I said in the full year call in February, we expected a rather soft half one, given tough comps at Helios Germany and the backend loaded phasing we're expecting from Medical Care. So the fact that we have already reached our guidance level for net income growth, the underlying net income development in the first half is a bit stronger than originally anticipated.

So all in all, a rock solid half one performance, where we are fully on track to meet our full year expectations. In half one yet again, the advantages of our well-diversified group structure were clearly evident.

So let's move onto Page 10, which illustrates the Q2 momentum at our four business segments. As in Q1, the results here are presented in the guidance-relevant fashion. So let's start with Kabi. The company showed healthy 4% organic sales growth and EBIT growth. We are pleased with the financial performance, which was yet again driven by an excellent growth in the emerging markets. Helios with 5% organic sales growth. We have seen very strong organic sales growth in Germany, and we're making good progress with our initiated measures to counter the regulatory headwinds. Spain continues to show consistent dynamic growth, especially considering that Easter was a Q2 event this year. Vamed with growth rates well above the outlook ranges. EBIT growth was obviously boosted by the shift of the post-acute care business from Fresenius Helios to Vamed, more than compensating a softer development in the project business.

So let's turn now to Page 11 for a review of Fresenius Kabi's organic sales growth by region. So let's start with North America. Here, we saw a 1% decline. As Stephan said, the destocking effect that we experienced in quarter one concluded in the course of quarter two. However, we continued to face declining volume demand. That was driven by an easing of shortage tailwinds and more competition on individual molecules. In addition, the prescribing trend towards non-opioid pain management continued. On the back of an already vigorous launch activity with seven new product entries year-to-date, we are fully on track to achieve our expectation of around 15 launches in 2019. And as Stephan already explained, the additional sales volume coming from these launches is expected to be more backend loaded. Thus, we expect some acceleration of sales growth in the second half and specifically in the fourth quarter. With around a negative 1% growth in half one, however, we now expect to achieve low single-digit organic sales growth for the full year.

Moving onto Europe, where we've seen 1% organic growth. We are, yet again, very pleased with the dynamic growth momentum of our enteral nutrition business. Unfortunately, a lower product partnering business weighed somewhat on our sales and particularly on our EBIT performance. We expect that this contract manufacturing business will improve only gradually in the second half. With 2% organic growth in the first half year, we feel comfortable to confirm our low to mid-single-digit organic sales growth outlook for Europe for the full year.

And then continuing with emerging markets, and now that's on Slide number 12, here, those emerging markets continue to shine with 14% organic growth, especially fueled by an outstanding performance of our clinical nutrition business. China with a tremendous 16% organic growth in Q2. And as Stephan said, we enlarged our manufacturing footprint with the start of production of a new manufacturing line for enteral nutrition in July. We will continue to invest significantly into portfolio building and local manufacturing for the new food for special medical purposes market segment. Those investments will obviously support our future growth in this key market. We also see great momentum outside of China with Asia-Pac ex-China and Latin America and Africa growing organically with 12% and 13%, respectively. Inflation-driven price increases had only a negligible contribution to top-line growth rates in the second quarter.
So on the back of the very strong financial performance in the first half, we increase our outlook and now expect clearly double-digit organic sales growth in the emerging markets for the full year.

Let's turn to Slide 13 and Kabi's regional EBIT development. Total EBIT came in at €308 million in the second quarter, an increase of 4% at constant currency, nicely in line with the guided outlook range of 3% to 6%.

Let's take a more detailed look at those regions. So with EBIT on the prior year's level in Q2, North America showed a solid financial performance. As in the first quarter, the bottom-line development was stronger than the top line. Despite normal price declines in the low single digits, we have seen a somewhat inflated margin of 40.7% in Q2, driven by a positive one-time item. You heard from Stephan that we expect low to mid-single-digit price erosion in the second half of this year, but that we still stick to our structural mid to high 30s EBIT margin expectation for our IV drug business in the US.

Emerging markets, with an outstanding growth of 20% in Q2, brought the half one growth rate in 2019 to 19%. The growth is particularly driven by clinical nutrition. Clearly, we are pleased by the strength of Kabi's emerging markets business, and we remain confident for continued strong growth.

Coming onto corporate and R&D costs, which with €117 million saw a 2% decrease year-on-year. The decrease is mainly due to lower biosimilars expenses. Here, we have seen a small positive one-time effect related to the Idacio launch in Europe in the second quarter. For the second half, we expect that the biosimilars expenses will ramp up. The full year figure will be, however, below the prior year level of €166 million, which was anyway above the original expected average annual run rate of very roughly €140 million. As we said at various instances, 2019 is an investment year. Thus, excluding those biosimilars, you should expect to continue to see an increase of R&D expenses for the rest of 2019.

Let's turn to Fresenius Helios on Slide number 14. Organic growth at Helios was 5% in the second quarter, bringing the growth in the first half of 2019 to 4%, and thus looking good against our outlook of 2% to 5% growth for the full year.

Helios Germany showed very strong 5% organic sales growth in Q2. And this growth clearly exceeds our original expectations, especially considering that Easter was a Q2 event this year and a Q1 event last year. Adjusted for the transfer of the post-acute care business to Vamed, admissions in Q2 were on the prior year level. Thus, also here, we see a stabilization of our business. On the pricing side, we saw a strong case mix fueling our sales growth. One word here to the phasing of growth. When thinking about the growth rate for half two 2019 in Germany, the 3% growth from the first half is a much better proxy than the somewhat inflated growth rate we've seen in Q2.

So over to Helios Spain, where we've seen a solid organic sales growth of 4% in Q2, despite the Easter effect. With 6% organic sales growth in the first half, Helios Spain is now at the top end of its historical organic sales growth range of 4% to 6%.

So let's move onto Slide 15 with an overview of the EBIT development at Fresenius Helios. Total EBIT came in at €274 million in Q2, a 6% decrease year-over-year, bringing the half one 2019 growth rate to minus 5%. That is at the lower end of our outlook.
range, fully in line or even slightly ahead of our expectations, as we had always expected a pickup in the growth rate in the second half.

Helios Germany continued to stabilize sequentially with an EBIT of €154 million, still a decrease of 8% year-on-year. But adjusted for the transfer of the post-acute care business to Vamed, the decline was 4%. And as Stephan said, we are making excellent progress with our preparatory structural activities, particularly with the hiring of additional nurses and the filling of vacant senior doctor positions. The EBIT margin improved sequentially by 20 basis points, and with 10.2%, we see a nice continuing margin stabilization. The Q2 2019 EBIT margin was supported by a strong top-line development and a strong case mix. Hence, please don’t get carried away when thinking about the margin development for the remainder of the year. We expect a slight acceleration of EBIT growth towards the end of 2019, as the positive effects of the initiated measures to counter the regulatory headwinds will start to materialize, and frankly, the second half year comparators from 2018 get easier. However, the costs for the implementation of those measures will not disappear. The hot summer this year across Europe will no doubt weigh on discretionary admissions in Germany as well as Spain with the inevitable impact on EBIT due to the high operating leverage.

Helios Spain showed, yet again, an excellent quarter, especially considering that Easter in Q2 negatively impacted earnings and profitability. In Q2 2019, Helios Spain increased EBIT by 1% to €125 million, bringing the year-to-date performance to a pleasing 7% growth.

So moving onto Fresenius Vamed, which you'll find on Slide number 16, we are pleased with Vamed’s Q2 2019 performance. Total sales came in at €467 million, an outstanding 76% year-over-year increase. If we strip out the acquired German post-acute care business, organic growth was still excellent with 27%. As far as sales development is concerned, both of Vamed’s business lines performed very well, with the service business standing out. While the project business increased sales by 24%, service business showed an increase of 106% including and 35% excluding that acquired post-acute care business from Helios. As I said in Q1, we foster stronger collaboration within our group, with Vamed in particular providing services to both Helios Spain and Germany. At Vamed, we see that this is nicely contributing to the sales growth in the service business.

EBIT growth was 67% in Q2 2019, obviously significantly positively affected by the acquired post-acute care business. Excluding this acquisition effect, EBIT declined by 33%. This is nothing to worry about, mainly the usual phasing effects in the project business. And please also bear in mind that we’re talking about small absolute figures, where a small deviation can lead to a large percentage effect.

As a reminder, Vamed’s quarterly development is characterized by a backend loaded business, and margins can fluctuate significantly, especially in the project business due to the project mix. Hence, as usual, we expect a much stronger second half. Order intake in Q2 was soft, not unusual with the lumpy project business. However, looking at the half year figure, we see a significant order intake of €498 million. That's a nice increase year-on-year of 9%. Overall, the order backlog of €2.69 billion bodes well for the project business, and we are optimistic for the second half 2019.

Let's move onto cash flow on Slide number 17. With a solid operating cash flow for the group of €1.023 billion, we have seen a nice sequential acceleration of cash flow generation, mainly driven by Fresenius Medical Care and by Helios.

FMC's Q2 cash flow was healthy with €700 million. We expect, as in previous years, a significant acceleration of cash flow in the second half year. Kabi posted a strong Q2 cash flow, with €201 million, top left, which could, however, not quite match the excellent prior year level. A solid Q2 margin of 11.9% took the last 12 months' margin to a healthy 13.7%. At Helios, we also saw an excellent cash flow of €197 million, mainly driven by
Helios Spain with a good collection of receivables, particularly related to public hospitals. At Vamed, the cash flow is marked by the usual phasing of the project business. We expect a clear improvement of cash flow in half two.

So for the group, the Q2 performance took the last 12 months' margin to 10.6%. If you deduct group CapEx of 6.6%, in the middle column, and you'll arrive at a free cash flow last 12 months' margin, bottom right, of 4.0%, well in line with our full year '19 expectations.

Including the acquisition of NxStage, we ended the quarter at 3.21x net debt to EBITDA. For 2019, we expect the leverage ratio around the upper end of our self-imposed target corridor of 2.5x to 3.0x net debt-to-EBITDA, of course, including the acquisition of NxStage and excluding IFRS 16 effects.

With that, let's turn for the 2019 outlook by business segment on Slide number 18 and starting with Kabi, where the increased emerging markets outlook compensates for the narrowed outlook of North America. Thus, with 4% organic sales growth in the first half for Kabi as a whole, we feel confident to confirm our outlook range of 3% to 6% organic sales growth. Onto EBIT, where with 6% growth in the first half year, we feel very comfortable with the bottom end of our guidance range, but with quite a few moving parts, we prefer to leave the guidance range for the full year unchanged at 3% to 6% growth.

For Helios, in terms of organic sales growth, with 4% in the first half year, we feel confident to confirm the outlook range of 2% to 5% growth for the full year. Indeed, we think that the lower end of the guidance range is now less likely. As far as EBIT is concerned, we've seen an EBIT decline of 5% in the first half of 2019. And taking into account the softer comparators for Helios Germany in the second half and the consistent growth that we see from Helios Spain, we confirm our outlook range of minus 5% to minus 2% growth for the full year.

Moving onto Vamed, here, the company's well-diversified order book as well as the solid first half gives us confidence to confirm the outlook of around 10% organic sales growth. And now we actually believe that a result of less than 10% is unlikely. We also confirm the 15% to 20% EBIT growth guidance.

Then taken all together for the group, and now that's on Slide number 19, starting with sales, on the back of the sales contribution from NxStage as well as the stronger than originally anticipated sales development at Helios, we are increasing our guidance range by 1 percentage point to 4% to 7% constant currency growth for the full year. We do see that, with 6% growth at the half year, the bottom end of that range is less likely, but at the same time, we would need some tailwinds to hit the very top end.

Over to net income, we confirm our expectations of earnings growth at around 0%. And as I said in the Q1 earnings call, we continue to hope to be more on the positive side of that 0% expectation. That is despite the absorption of the earnings dilutive effect of NxStage and the negative effects from FMC's ESCO adjustment. Clearly, that implies that the underlying business development in our investment year is slightly better than we had originally anticipated.

One word to the phasing of growth in the second half. As far as the net income growth is concerned, we expect to see a softer Q3 and a stronger Q4. Why is that? Well, as previously said, FMC is expected to deliver a backend loaded phasing, and the hot summer across Europe is likely to impact both Helios Germany and Helios Spain.

As to the currency translation effect, if current exchange rates prevailed until the end of the year, we would see a tailwind of 2 percentage points mainly from the US dollar for both sales and net income.
With that, I'd like to say many thanks for your interest. And Stephan and I are happy to take your questions.

Q&A Session

Veronika Dubajova: Good afternoon, Stephan, Rachel. Thank you for taking my questions. I will keep it to two, please. My first one is on Kabi North America. And, Stephan, I was hoping to follow up on your comment around balancing growth and profitability as you think about the second half.

How should we interpret that commentary as far as the Kabi North America margin’s concerned? Should we be assuming that you see some margin compression as you move into 2H? And I guess, when do you think we have better clarity on exactly where the margin will settle within that mid to high 30s corridor that you have? Why don't I let you answer that? And then I'll ask my second question after that.

Stephan Sturm: Thanks, Veronika. I'm not sure I can add meaningfully over and above what we have already said. I indicated that price pressure in the second half would be a bit above what we have seen recently, but in line with the historical trends, so low to mid-single digits. I am still firmly working on the assumption that we can turn to a positive revenue growth. On that basis, given that it looks likely that we will have to give a bit more way on the pricing front, I would work on the assumption that we're going to see a bit of a shaving off as far as our EBIT margins are concerned. Frankly, I can't be more specific than the mid to high 30s, given all the moving parts that we do see in there. If you truly had to put something into your model right now, I'd pick the midpoint.

Veronika Dubajova: That's very helpful. Thank you. And then if I can ask my second question, which is actually on Quirónsalud, and Iguess, on one hand, very impressive top line growth that you see there year-to-date. On the other hand, the margins seemed to have kind of flattened out. So I'm curious if you can give us an update on where you are with the synergies from the transaction. And I guess, have we now realized most of the benefits? And is incremental upside to margins from these levels somewhat more limited? Thank you.

Rachel Empey: Hi, Veronika. Thanks for the question. I would say, overall, if you have a look at the margins, you're quite right in your observation that the Quirónsalud, the Helios Spain margin is flat in the first half year over last year, but at a very high and pleasing level of 14.6%. Clearly, we have seen an acceleration in Quirónsalud margins over the last couple of years. And at the time, you'll remember we were talking about the realization of synergies from the previous merger within Spain as well as the healthy growth that we're seeing as helping support that. But at the same time, we are, of course, making progress with the synergies between Helios Germany and Helios Spain. We are well on track with making progress on those. You remember we originally announced €50 million as a target and showed you back at the Capital Markets Day that we were making good progress against that, and we continue to do so. But of course, not all of those synergies are realized in Spain. Some are also in Germany. And we expect to continue to hit that target.

To specifically address your question, clearly, I think that we can expect to see some improvement in Quirónsalud margin over time, but clearly not at the rate of improvement that we have seen over the last couple of years because, clearly, some of those initial accelerators came from effects that have begun to run out now.

But I think at 14.6% year-to-date, with a particularly pleasing 14.8% in the second quarter, you have to say it is already at a very good margin level. And as we drive some incremental growth also, you heard from our new -- about our new ORPs that we've opened. Clearly, we see some mix effects within our portfolio in Spain where, for us, it's about driving organic growth and EBIT rather than just focusing on the margin.
Veronika Dubajova: Thank you, both, very much.

Stephan Sturm: Thanks.

Michael Jüngling: Thank you and good morning. A few questions please, firstly on Germany Helios. Can you comment on when you’ll see the admission growth turn positive? And also, when it comes to the acuity development in the second half 2019, can we expect the trend with respect to acuity to continue?

Question number two is on Kabi. R&D to sales dropped meaningfully in the second quarter. I think you pointed out towards an improvement or a higher number in the second half. But can you just comment why it was only 5.5% of sales when you've been tracking 7% to 8% in the previous four, five, six quarters?

And the last question is on European biosimilars. Can you comment on the revenues that you've achieved in the second quarter and whether perhaps €30 million or so is a reasonable estimate for Idacio sales in Europe for the full year 2019? Thank you.

Stephan Sturm: Thank you, Michael. As far as patient growth in Germany is concerned, I believe you are aware that the market as a whole as far as acute care patients are concerned is in slight retreat, has been in slight retreat for the last two years at least. Against that backdrop, even small growth rates relate to us building market share. As I've said, the aspiration and I believe also the reality is that we have taken market share, and that in my mind will continue to be the case. However, mark -- excuse me, patient growth is going to be in the low to very low single digits, frankly, as it has been for quite a while. When exactly it is going to turn positive, very difficult to judge. I would hope that we have a chance to turn this into the positive area, again, against the backdrop of a slightly shrinking market in 2020.

Acuity was at a particularly high level in the second quarter. You have observed that correctly. It would be -- it wouldn't be prudent to tell you that we're bound to see that continue. Whilst I don't have particular information that would lead me to point you to a decreasing acuity, my gut still tells me and you to be slightly cautious on that front.

Rachel Empey: Michael, your two questions relating to Kabi biosim and R&D, so the first one, if I understood it was around why we see a lower R&D-to-sales ratio in the second quarter. And just to reiterate something I said in my speech, in case you missed it, we did see a one-time effect in the second quarter which is related to a balance sheet valuation to do with the launch of Idacio in Europe that had a positive impact on our biosimilars costs in the quarter. And that is the main reason why you see a reduced ratio of cost-to-sale in the second quarter. So it is a technical effect and has nothing to do with our appetite and investment levels in biosimilars. We continue to invest and to make very good progress against our plans in terms of the R&D activities. And as I mentioned in my speech, we do expect that the biosimilars expenses will again ramp up in reported terms in the second half year so that you see the true costs coming through rather than just being masked by that technical effect from the second quarter.

Your question in relation to revenues associated with our European biosimilars activities, as Stephan mentioned, we are let's say live in five markets in Europe now. And we are pleased with the first progress and the first steps that we have made within those markets. Nevertheless, of course, it is only a very first set of market entries and something where we need to go through the selling processes, into the tendering processes, and of course, the realization of significant revenues will take some time. We will not report the biosimilars revenues separately this year. Clearly, we're in a limited number of countries with just one product. And so from a commercial perspective, we don't think that it would be wise. But you will see separate reporting from us for biosimilars over time. We've not guided you to a number for this year, Michael, but I
would stress to you again that it will be of a limited nature for 2019, and we expect it to ramp up thereafter.

Michael Jüngling: Great.

Stephan Sturm: I reserve the right, Michael, to be on this particular one a bit more specific than my CFO. And I would tell you that €30 million is meaningfully above our current expectations, which in turn means that we have higher expectations than you may have on the other business lines within Fresenius Kabi.

Michael Jüngling: Great. That's very helpful. Thank you.

Julien Dormois: Yes, hi, good afternoon, everyone. Thanks for taking my question. I have two. One relates to Helios in Germany. So it's nice to see that the business seems to have stabilized. I was just curious to see if you have any updates to provide on what's going to happen in 2020. And I'm here obviously referring to the carve-out of nursing fees. Is there any update you can do on that side and what the expectations could be on your side on how this may impact the business in 2020?

And on -- second question is on Kabi and on biosimilars in particular. Looking beyond Idacio, is there any update you can provide on the other molecules and how you are tracking against your expectations on that side?

Stephan Sturm: Thank you, Julien. On both fronts, no meaningful updates. What we continue to work away in preparing ourselves for the carve-out of the nursing DRG, and that is going to weigh on our profitability in 2020, as we told you at the outset of the year, we are trying to find mitigants and have made progress, continue to make progress. All in all, though, for the all-important EBIT margin of our German hospital business, I remain of the view that the 2020 margin is going to be very close to whatever we're going to end 2019 at. And I would expect and hope that a slight at least pickup in the EBIT margin is going to occur then in 2021 and beyond, in particular driven by our new business initiatives.

As far as biosimilars is concerned, we have spent a lot of time on Idacio in Q2 and in H1 of this year. That does not mean that we have neglected the others, but there, we're working towards the next milestones. Everything is on track as far as we can see, but nothing specific to report. But we will most certainly do that once we have reached the next milestone. And I would expect that to be in Peg.

Julien Dormois: Thank you very much.

Stephan Sturm: Thanks, Julien.

Patrick Wood: Perfect. Thank you for taking my questions. I have two, please. The first would be around potential Part B reform in the US. I'm just curious how we should think about the pricing structure differential between the typical -- as leading as that comment is -- but the general generic injectable ASP in the US relative to a handful of other markets, just to give us a sense of how much of a premium the US is at as some of the international markets.

And the second one is a somewhat broader question. I'm just wondering, Stephan, when you're thinking about the business long term, casting your mind 5, 10 years into the future, how large a proportion of the business would you expect the hospitals part to be? Should we expect the weighting of that business to continue to increase over time, or how are you thinking about that as a portfolio? I'm just curious. Thank you.

Stephan Sturm: Thanks, Patrick. As far as your first question is concerned, on the one hand, we're seeing meaningful initiatives for cost containment, which would weigh on the
profitability/the margin in that business. On the other hand, as you all know, we have continued to observe shortages, which in our minds have been driven largely by manufacturing issues which traditionally have been caused by underinvestment, given a lack of profitability.

On the one hand, we have seen a very serious consolidation amongst our customers from initially around a dozen GPOs down to three. I have talked in my prepared remarks a bit about Civica and potential others. But where I would expect that the three large GPOs, on the one hand, will continue to dominate, on the other hand, will not consolidate any further. So that should underpin a certain margin level.

Take all that together, irrespective of regulatory reform, in which way or form it should come about, I am working on the assumption that the current profitability is something that is needed to cover the investment and to cover the inherent risks in that business. Hence, I continue to work on my assumption of the mid to high 30s as far as the EBIT margin in that business is concerned.

As far as your second question is concerned, short answer is that I would expect it to be at around the current level. I would work on the assumption that, with a somewhat underproportionate organic growth level, where Germany will continue to outweigh Spain and also continue to outweigh the small Latin American exposure that we do have for a while, is going to be somewhat offset by above-average acquisition opportunities. So if you take total growth together, then I would not be surprised at all if the hospital business were to grow in line with the overall growth rate for the group, and frankly, I would welcome that.

Patrick Wood: Helpful. Thank you for taking my questions.

Stephan Sturm: Thank you, Patrick.

Tom Jones: Good afternoon. Thank you for taking my two questions. The first was just on Kabi's emerging markets business. Clearly, it's on fire at the moment. But I was just wondering if you could possibly make some comments about the medium- to long-term growth outlook in that business and whether you think this kind of current clip is sustainable for at least the foreseeable future, or we should expect a little bit of a slowdown in 2020.

And then I guess I'm surprised nobody's asked it. But it's unusual to get through a Fresenius SE call without discussing it. So I'm going to ask it. But on the M&A front, you've done some small things here and there, but nothing sizable for some time. I kind of know what your thoughts are on where the business could be strengthened with M&A. So maybe I can ask the question just in terms of how you've seen asset prices for potential M&A targets developing in the last 6 to 12 months and, B, putting that in the context of, one, the interest rate environment, your debt headroom, and your enthusiasm for doing M&A. Perhaps give us some sense of whether this is more of a priority for the company, less of a priority for the company than it has been in the kind of last 6 to 12 months.

Stephan Sturm: Tom, I'll talk about the emerging markets first, and maybe Rachel wants to complement that, and then we'll also divvy up your second question, which it seems everybody has left for you to ask.

On the emerging markets, this is by and large driven by China. When we talk about our emerging markets business, in reality, this is China. And there, I would say, when we can expect about 8%, 10% organic growth, but every time, it goes beyond that, it's basically the same comment that I would make -- that I had made to Michael with regard to acuity, then I'm starting to get a bit nervous, and I really don't want to bore you next year with a high comparative basis in prior year quarters.
Underlying, I would truly argue that there is substantial, sustainable demand. And you will have heard not only today, but also in prior earnings calls how much we're doing in terms of local manufacturing to sustain that pace, around 10%, maybe slightly above. I think that is something that I do -- that is a pace that I do feel comfortable with. I'm looking at Rachel, but she's nodding.

Rachel Empey: Maybe my comment would be I agree with Stephan's point. If you have a look at the numbers we've delivered to date, we're at 14% revenue growth in the emerging markets and 19% in terms of EBIT growth. And obviously, on the back of that very strong performance, we have raised our guidance from the likely double digit to the clearly double digit. And that should indicate to you that we do see particularly strong growth at the moment. And thus, I would reiterate Stephan's words that significant growth is sustainable, maybe in the high single digits, low double digits, but that 19% growth in EBIT that we've seen year to date is not necessarily something that you should sustainably build into your models.

We are very happy with the emerging markets. And we will continue to invest that. And that will -- there, and that will continue to drive growth. But you should take the half one numbers not necessarily with a straight line into the future.

Stephan Sturm: To your second question, Tom, we're very happy with organic growth, obviously. And we are focusing on an organic investment year in 2019, but that should not be misinterpreted as us having lost our appetite for acquisition opportunities. It's rather the contrary.

And to your question about asset prices, frankly, that is hard to answer because it was not that we weren't willing to pay up. It was much rather pretty much across our businesses that targets that we felt were suitable, they just wouldn't show up. Now I've went through a little bit of a sequence on what we've done in Spain just to let everybody know that we haven't been sitting on our hands, but that the targets that we have been talking about have been small. As you know, we've also done a little bit in Latin America as far as our hospitals business is concerned.

You made the reference to interest rates. Frankly, that's not the constraining factor. Again, I believe, if we had a suitable target in front of us, we could get to earnings accretion in the near term. It's much rather, again, availability of targets and getting to a return on invested capital that meets our and your requirements over the medium to long term.

I am very much open to complementary small, medium, but also large size acquisitions for Fresenius Kabi. As I said in my prepared remarks, there are a few country markets where I feel we're still underrepresented. There are a few things that we're currently looking at. I am also open, as I indicated, to do more hospital M&A in Spain in particular, selectively in Germany, opportunistically in Latin America. I am also, I would say, in line with the progress that we're making in fixing the issues at Helios Germany, also more open to reembrace the original plan to potentially look at a third European country market in 2020 and beyond. And here, I would briefly hand it over to Rachel to tell you about financial headroom and potential constraints.

Rachel Empey: So, Tom, you heard me in my prepared remarks talking about the fact that, from an interest rate and capital markets environment, clearly, there is a fairly favorable backdrop at the moment. And that gave us a little bit of a tailwind in terms of interest costs in the second quarter. But that you should see as indicative of an environment that is favorable to Fresenius in terms of its positioning. You heard me mention also that it's never unhelpful that we've recently had a credit upgrade from Standard & Poor's. So from a capital markets perspective, we remain very well positioned with a very attractive potential cost of financing should we want to significantly enhance our position to fund a significant acquisition.
You know very well that this business is very cash generative and has historically, time after time, showed how we are able to finance up and delever. And although 2019 is an investment year and won't show a stronger delevering profile as in previous years, as we move through and look to the following years, the cash generation will flow very strongly.

And that strong balance sheet and profile that we have means that we have quite some - and I mean really quite some significant headroom, to fuel what would be a significant transaction or series of transactions for us in the kind of order of magnitude of those significant transactions you've seen from us in the past and even larger.

Tom Jones: Okay. That's perfect. That's all very clear. And just one real quick follow up, if I may, just on a technical point. Rachel, you mentioned that the Kabi North American margin was boosted by a one-time in Q2. Was that the balance sheet revalue you were referring with Michael, or was it something different? And if so, could you perhaps quantify it at least loosely if possible?

Rachel Empey: Sure. So it is not the same. What I was just referring to with Michael was associated with biosimilars in Europe. But the nature of the item is quite similar. Based on the timing of some product launches, there were some revaluation effects that gave us a small P&L one-timer that was a positive and, thus, as I mentioned in my prepared remarks, supported the North American margin in the second quarter. I would say, without that, you would've seen a margin more in the normal range and as you would have expected with the single-digit price erosion that Stephan mentioned in his speech, just to give you an idea of what we're talking about here. I hope that's helpful.

Tom Jones: No, that's very helpful.

David Adlington: Afternoon, chaps. Thanks for taking the question. Most of them have been answered, but maybe just on US Kabi, again, just wondered if you're able to quantify the impact of destocking you saw in Q2 maybe versus Q1 and how confident -- and what makes you confident that that process has now come to an end. Thanks.

Stephan Sturm: David, as I said, it has largely come to an end over the course of Q2. We take that from, on the one hand, IQVIA data, but on the other hand, also from the direct customer interactions that we do have. It is not uniform across all product levels. That is why I'm saying it has largely come to an end. And it is tied to the market's perception of drug shortage situations and their easing. But it is most certainly, if I could quantify it, it's most certainly less than half of the effect that we have seen in Q1. And we're working on the assumption that we're not going to see any meaningful effect over the course of the second half, unless there was a meaningful new shortage situation arising.

David Adlington: Great. Thank you.

Stephan Sturm: Thanks, David.

Hans Boström: Hello, I had a couple questions on the hospitals business. On the Spanish business, you talk about the improvements in your receivables with the public payers. Could you elaborate on why you have been in a situation where those receivables have been abnormally high and also maybe give us a sense of how much they have improved in the second quarter?

And second question, on the Spanish business, if I understand it correctly, you are comparing EBIT margins IFRS 16 of 2019 with IAS 17 margins in 2018, on which basis margins were down only at 1 percentage point. If we adjust for the changes in lease accounting and the lease interest, how much more would margins have been down, or how much is the lease interest part of the percentage of revenues in the Spanish business?
And on Spain, you talk about a slowdown in the second half to 3% growth, which obviously well pointed out, given that we would probably have assumed there would be a continuation or very strong trend, particularly taking into account the ease of comparison in Q4. Could you give us a sense of why this is and particularly how the compensation for the higher nurse headcount might potentially have benefited you in revenue terms in the first half of the year? Thank you.

Rachel Empey: Hans, let me try and address your Helios questions one after the other. I hope I got them all. I think, starting with the cash and our accounts receivable position with the public healthcare authorities in Spain. I think what's important to understand here is the model that we operate, where after we have, let's say, completed and built the services, there is a period against which the public authorities come in and do a detailed audit and check of the activities performed and also the specifics around individual patients and patient activity, particularly where we are responsible on a per capita basis. And that process contractually can often take up to two years. And that is absolutely how the system is set up and how it's expected to run. So that means that, quite naturally, given that we have a good sized business with the public authorities, we do run with quite a significant level of receivables with those authorities. But I would say nothing to worry about or be particularly concerned about. It is just the nature of the structure of the contract.

And what often happens is that the agreements and negotiations of the particular details associated with those audits and checks tend to happen, I would say, together so that you tend to then get a release of certain periods all together, which means you can have a buildup over a slightly longer period than the two years. And then you see that come back down when certain years are agreed and signed off and relevant payments are made. That happened during the course of Q2. And hence, you saw within our cash flow numbers that we saw a healthy cash flow from Quirónsalud, Helios Spain in the second quarter. But from my perspective, absolutely business as usual, what we should anticipate, given the structure of those contracts, and we will expect to see those ways going forward as well.

Your second question was associated with the comparison between the margins of Helios Spain between 2019 and 2018. I just wanted to be clear that all of the numbers in my presentation are presented before the applicable effects of IFRS 16 in 2019. So they are directly comparable with those results in the previous year before IFRS 16 was applicable. The reported figures, including the IFRS 16 effects, are shown in the reconciliation tables in the backup to the presentation. So there is no inherent dilution of the Quirónsalud margin. The numbers shown are directly comparable.

I think your third question was in relation, if I got it right, to Helios Germany and the revenue shape for the second half year. Is that correct?

Hans Boström: Yes, I suppose it's your well-made pointing out of the 3% growth I think you mentioned for the second half, despite the 5% in Q2. And I suppose my question and what I don't quite understand is whether - we had similar pattern in the Rhön-Klinikum in Q1 - , where revenue growth has seemed to err on the high side of expectations. And I'm just wondering whether this is the reflection of you actually getting better paid by the statutive payer based on the fact that you now have more staff. Is that one factor that explains this, or just purely acuity mix that does explain it?

Rachel Empey: Sure. What I would say is -- and Stephan already mentioned it, and so did I in my prepared remarks -- we did see a particularly strong revenue performance in Q2. So admissions were flat year-on-year, whereas in previous quarters, they had been slightly negative. And on top of that, we saw a particularly strong case mix, so particularly high proportion of complex treatments, which gives us a particularly favorable effect in terms of pricing essentially.
And you should not anticipate -- and I think Stephan said this very well earlier. There's no reason for us to think that it might not remain, but at the same time, it would not be prudent to assume that we would have such an exceptionally strong case mix in every quarter of this year. I also mentioned that, having looked at the, let's say, calendar effects and seasonality and also having looked at how we've seen a very hot July this year in comparison to that that we had last year, we are anticipating that we will see a somewhat weaker Q3 and then particularly, in terms of EBIT, but also to some extent in terms of revenue, a further important in Q4.

So I would say more that Q2 was a particularly positive outcome rather than the fact that we would not be pleased to continue to see a very solid 3%-ish performance in the rest of the year.

Hans Boström; Great. Thank you.

Hassan Al-Wakeel: Thank you for taking my questions. A couple, please, both on Kabi North America. So firstly, could you expand on your thoughts around increasing competition here? Stephan, you've historically talked about an increasing rate of new approvals at competitors, which did not necessarily translate into launches. And I wonder if this is now changing.

The second question, just on the guidance adjustment at Kabi North America, based on IQVIA data, it seems like Pfizer coming back to the market with its McPherson plant is already having an impact in Q2. So with the substantial overlap in shortage drugs with Pfizer and the number of shortages yet to recede meaningfully, could this impact accelerate over the course of the year as the plant comes back in earnest? Thank you.

Stephan Sturm: Thank you, Hassan. As far as the trend is concerned that the number of approvals is substantially larger than the number of launches, we haven't seen a meaningful change to that. But what I was referring to is that that underlying trend of the FDA giving preference to shortage situations, that has continued, and that, once a few quarters get by, it is felt also in our financial performance.

To your second question, as to that particular plant that you were referring to, we had talked about that by the end of February. And we had in particular talked about it in the end of April when we were talking about our first quarter performance. We had felt that there was not one uniform return to the market, but that certain patches of capacity had been available already over the course of the first quarter and now also over the course of the second quarter.

So maybe the not-so-good news is that, as far as shortage easing situations is concerned, that those were particularly targeted right from the beginning in Q1 and Q2. The better news is that I do not sense that there is much of an additional catch-up effect from what we've seen in particular in Q2. Am I making myself clear?

Hassan Al-Wakeel: Yes, yes, you are. That's very helpful. Thank you.

Stephan Sturm: Thank you, Hassan.

That was it. We had deliberately spent a bit more time on our prepared remarks to broaden the picture a bit for you beyond Kabi North America and beyond Helios Germany. I hope that was instructive for you. I do get the sense that many of the questions that were on your mind we have already answered with our quite extensive prepared remarks. But should there be anything left or should occur to you upon rereading the transcript, then Markus, Rachel, and I will be at your disposal. Just reach out.
With that, thank you very much for your attention. Thank you very much for participating in today’s call. We look forward to sharing our Q3 results with you at the end of October, and many of you we will be seeing on the road in the meantime. Thank you for now.

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