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FRE.DE - Full Year 2015 Fresenius SE & Co KGaA Earnings Call

EVENT DATE/TIME: FEBRUARY 24, 2016 / 1:00PM GMT

CORPORATE PARTICIPANTS

Markus Georgi *Fresenius SE & Co. KGaA - SVP, IR*

Mark Schneider *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Stephan Sturm *Fresenius SE & Co. KGaA - CFO*

CONFERENCE CALL PARTICIPANTS

Gunnar Romer *Deutsche Bank - Analyst*

Veronika Dubajova *Goldman Sachs - Analyst*

Tom Jones *Berenberg Bank - Analyst*

Alex Kleban *Barclays - Analyst*

Julien Dormois *Exane - Analyst*

PRESENTATION

Operator

Good afternoon and welcome to the conference call of Fresenius Investor Relations which is now starting. May I hand you over to Markus Georgi, Investor Relations.

Markus Georgi - *Fresenius SE & Co. KGaA - SVP, IR*

Good morning and good afternoon to everyone and welcome to our Q4 conference call. With us today are Mark Schneider and Stephan Sturm. Mark will now start with the general business update, and Stephan will cover the financials in more detail, followed by a Q&A session.

After the call, a replay and the transcript will be available in our website. The forward-looking statement and the disclaimer on page two of the presentation. And without any further ado, let me hand over to Mark.

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Thank you, Markus, and a warm welcome to our conference call participants today. As always, we appreciate your interest in our Company. Today we are reporting a strong fourth quarter in fiscal year 2015. We set new records for sales and earnings for Fresenius. We saw double digit growth rates in our group's key financial parameters and enormous consistency in our growth at a time of major economic turbulence. With our 2015 net income levels we have achieved our 2017 midterm income target two years ahead of schedule. As a result we have updated our growth and profitability expectations and we'll share with you a new 2019 target in this call. So we have a year of significant success behind us and we are entering 2016 with lots of momentum. Looking ahead our midterm guidance should give you confidence regarding our growth prospects for the years to come.

Markus has pointed out the Safe Harbor language to you, so let's move right to page 3, which summarizes our financial results for the fourth quarter and the full year 2015. We recorded sales of EUR27.626 billion, EBIT of EUR3.958 billion, and net income of EUR1.423 billion. Currency certainly provided a major tailwind in 2015 but please note our solidly double digit constant currency growth rates for EBIT and net income in both the full year and the fourth quarter.

Based on the significant growth in net income and applying our earnings-linked dividend policy we will be proposing to our supervisory board a dividend increase of 25% which translates into EUR0.55 per share. This will mark our 23rd consecutive dividend increase and as you can see from the chart, our compounded annual dividend growth rate since 1993 has been 16%. While we are excited to have such a consistent dividend growth history, the picture gets even better when you look at total shareholder returns. The right side of page 4 shows you our TSR for the 10-year period from the end of 2005 through the end of 2015. As you can see we outperformed the DAX by a factor of more than two over this 10-year period. No matter whether you look at 10 years or other time span either longer or shorter, the picture does not change very much. Our TSRs compare very favorably to major benchmark index developments such as the DAX, the S&P 500 or the MSCI World Healthcare Index.

Page 5 shows the financial results by business segment. As in previous quarters we are quite reassured by the enormous level of consistency in our growth rates across the board. While Kabi's sales and earnings growth clearly stand out, there were no major disappointments across the board, and that is important in this turbulent time. Please note that Helios marked the 10th consecutive year of double digit EBIT growth with a solid 16% EBIT increase in 2015.

Before taking a more detailed look at Kabi, Helios, and Vamed, a brief word on Fresenius Medical Care. I think the company has done a remarkable job reviving growth and profitability at a turbulent time. Fresenius Medical Care is poised for significant net income growth in 2016 based on continued cost optimization and solid organic sales growth. The recent agreement and principle to settle the Granuflo litigation puts this legal matter behind us and provides financial clarity.

Let's move to page 6 and a more detailed review of Fresenius Kabi. Clearly, the North American market stands out since its combined significant growth in 2015 with above average operating margins. We told you in late October last year that 2015 will be a tough comp and that we expected Kabi North America 2016 EBIT to be roughly flat compared to 2015 levels. From what we know today we can confirm that statement. For good order this is before some additional research and development expenses which we will be facing in the U.S. following the acquisition of Becton-Dickinson free field syringe IV drug business. Our Kabi US outlook assumes a gradual further easing of the US IV drug shortages and increased competition on some of our major molecules. If either process gets delayed we will see an upside to our expectations this year. I would also like to confirm that we are expecting vigorous IV drug launch activity this year and in 2017 with a number of launches in both years near the top end of our 6 to 10 products target range. In 2016 we anticipate that our approvals will be ramped up backloads.

For emerging markets we expect mid to a high single digit organic sales growth so no major change from 2015. We expect a recovery regarding organic growth rates in Asia Pacific outside of China. For China itself it remains to be seen how the new province by province kind of system will influence market dynamics. We expect continued double digit volume growth in this market but for now as a precaution, assume mid to a high single digit sales growth until we have a better sense of potential price reductions.

For Europe we expect low to mid single digit organic sales growth so no major change from the year 2015.

Let's turn to page 7 in Helios. The key message is that we're essentially done with our massive two-year integration project regarding the Rhon hospitals. This integration is a significant success. We delivered it on target, on time and regarding the one-time costs involved, significantly under budget. With integration behind us we're now eager to focus on future growth. Organic sales growth has recovered somewhat in the fourth quarter and we expect our usual 3% to 5% organic sales growth rate for the year 2016. We have started to ramp up marketing activities for our hospital network and supplemental insurance project and as of January 31st, 2016, have more than 5000-plus cards in circulation. Last but not least, I would like to point your attention to the recent hospital privatization of a 500-bed facility in North Rhine-Westphalia which we announced earlier this week. German cities and counties continue to trust us as a long term partner to take over their hospitals and implement significant improvements. This particular privatization project is located in one of our core regions and will involve the construction of a new hospital building as a major part of our investment.

Let's turn to page 8 in Fresenius Vamed. Records Q4 2015 order intake and order backlog give us confidence when it comes to sales development in 2016 and beyond. In addition, we plan to enter more than 10 new country markets mostly in emerging and developing countries this year. As you can see from the bottom of the page we have been successful over the years in expanding our service business which continues to be less cyclical and higher margin. From a two-thirds project, one-third services split in 2011 we essentially grew the service business to a 50-50 split in 2015. In that, for the avoidance of doubt while Vamed's project business showed very healthy growth.

Before turning it over to Stefan, let's take a look at page 9 and our new midterm growth targets. It was important to us to give you a new midterm outlook after hitting the old midterm net income goal two years ahead of time. Based on what we know today we are targeting EUR36 billion to

EUR40 billion in sales and EUR2 billion to EUR2.250 billion in net income by 2019. These targets assume a comparable exchange result regime to what we have today. Revenue and the earnings contributions from small and midsize acquisitions are included. Large acquisitions especially of deals above EUR1 billion in size will be reflected in adjusted targets if and when they materialize. Please note that there is a significant aspiration level built into these new targets. In sales for example, the top half of this range assumes that we will have doubled the company in seven years by the year 2019 which is no small feat for a company our size. Regarding net income, the new target assumes at the midpoint a compounded annual growth rate of 10.5% which compares very favorably to our previous midterm target where the implied compounded annual growth rate was only 8.4%. These targets would underscore our key message to you and that is that Fresenius continues to be a reliable growth company even in turbulent times. Defensive growth with a particular emphasis on growth is our hallmark and we intend to shine with that for years to come.

With that, let me hand it over to Stephan.

Stephan Sturm - *Fresenius SE & Co. KGaA - CFO*

Thank you, Mark. Good afternoon, good morning, a warm welcome to everybody. You heard it from Mark: a very strong Q4 concluded an exceptional 2015.

My personal Q4 highlight is the cash flow development but before we'll come to that let's take a look at the Group P&L on slide 11.

And there our focus on our Q4 performance - sales of EUR7.3 billion, clearly ahead of the prior quarters. Reported growth of 11% includes a positive currency effect of six percentage points, down as expected from the nine points in Q3. Hardly any acquisition contribution left within the 5% constant currency growth, also as expected. So a healthy organic growth of 5% in that fourth quarter where Kabi yet again stood out with an excellent 8%.

For the full year constant currency growth of 9% is well within our guidance range, plus 10 percentage points from currency translation in line with our estimate. Q4 EBIT of EUR1.11 billion is up 10% year-over-year at constant currency.

Kabi up an outstanding 26% at an otherwise healthy growth at FMC mitigated by the impact of the Granuflo settlement. Net interest was EUR137 million in Q4, down from the EUR146 million in the third quarter.

We saw a strong delevering on the back of healthy cash flow generation and we're helped by an FMC one-timer. I'm sure Mike will provide some background on that later.

For the full year 2015 we came in at EUR613 million. That's up EUR11 million year on year, just EUR11 million. So our various refinancing activities almost offset EUR60 million of currency translation impact.

For 2016 based on current exchange and interest rates, we aim at a range of EUR580 million to EUR600 million. The growth tax rate reached 28.8% in the fourth quarter. For 29.4% in the full year, that's basically in line with our expectations.

For 2016 I would assume a slightly lower tax rate, likely below 29%. Net income came in at EUR414 million in Q4, up 24% at constant currency. And that took full year growth to 21%, the midpoint of our 20 to 22% guidance range. Excluding FMC's Granuflo settlement we'd be at the top end.

And given the 10 percentage point currency tailwind, reported growth reached a mighty 31%. EUR1.42 billion of net income, so we've reached our 2017 target two years ahead of plan.

With that, let's move on with Kabi on slide 12. Total EBIT at the bottom of the page was EUR317 million in Q4. That's up 26% year-over-year at constant currency, taking the full year growth rate to 21%, to the upper half of our guidance range.

Let's take a look at Kabi's regions. The decline in Europe, top of the slide, I'm not worried about. It's mainly driven by the lower contract manufacturing volumes I had alluded in our Q2 and Q3 calls, a bit of ruble devaluation, as well as the fourth quarter of last year being a particularly tough comp. Full year EBIT growth of 2% is a much better proxy for what we expect in 2016.

North America saw the typical margin decline in the fourth quarter but yet another outstanding 40% reported growth. For 43% in the full year. That's what I call a tough comp.

Q4 EBIT growth in the emerging markets of 51% is great but obviously no proxy for 2016. Yes, underlying performance has improved, for instance in Asia ex-China where we see our restructuring initiatives pay off and we've also made further progress in China where we won some of the delayed tenders I had alluded to in prior quarters.

But mind you, reported growth is inflated by a couple of one-time burdens that we had in the fourth quarter of 2014. Corporate R&D was minus EUR60 million in Q4, a sequential decrease as expected, taking the full year to minus EUR275 million.

For 2016 I would expect a moderate increase mainly related to higher R&D and IT project expenses.

Now over to Helios on slide 13, where sales reached EUR1.41 billion in Q4, a nice pick up of organic sales growth, 4% in Q4, not unexpected but valuable given the tough comp, 5% in the fourth quarter of 2014, so we're headed in the right direction.

Total EBIT, at the bottom of the page, came in at EUR168 million, slightly up sequentially. Q4 margin now at 11.9%, taking the margin for the full year to 11.5, plus one full point year-over-year, major progress.

A few comments on the hospital development plan that you will find in the appendix, slide 31.

As a whole, it continues to work despite the raised hurdles.

Secondly, quite a few hospitals don't make over those raised hurdles yet. The ratio of out to underperformers has improved though.

Thirdly, the Rhon hospitals are now displayed in the five-year cluster with a 10% margin hurdle. Not all of them got there last year but the vast majority of them showed a considerable year-over-year improvement.

Lastly, the early columns are now pretty empty. That's a reflection of our focus on integrating the Rhon hospitals rather than privatizations recently so the development plan can't meet its original objectives.

We'll therefore spare you that detail for now but hope to be back once we can properly fill the early columns.

Let's move on to cash flow on slide 14, where in my mind we had a truly exceptional fourth quarter. Group operating cash flow of almost EUR1.2 billion, bottom left, corresponds to a margin of 16.2%.

And I will focus on margin in order to neutralize the effect of euro weakness. So more than 20% margin in Kabi, above 16% at Helios, just an outstanding performance across the board and that took the full year margin to a very strong 12%, deduct Group Capex of 5.2%, you'll find that in the middle column, and you will arrive at free cash flow, bottom right, of 6.8%.

6.8% of a substantially increased topline and which, to a large degree, we were able to apply to our net debt position with a meaningful effect on our leverage. Let's look at that on slide 15.

We were at 3.24 times at yearend 2014 given the debt finance acquisition of the Rhon hospitals and delevered by almost 60 basis points over the course of last year by both growing EBITDA while cutting net debt.

Adjusted for dollar strength, net debt is down by around EUR1.3 billion year-over-year. That is masked, however, by an around EUR800 million increase on currency translation. So for yearend 2016, given ongoing EBITDA growth and cash flow generation, I would expect leverage of around 2.5 times and as that marks the bottom end of our target range let me reconfirm our commitment to balance sheet efficiency. Rest assured we'll find ways to keep it lean and trim.

Let's conclude with our guidance in slide 16 and 17. Kabi's organic sales growth first, where we projected growth rate in the low single digits for 2016 after an outstanding 8% last year.

You heard the regional contributions - low to mid-single digit organic growth for Europe, mid to high single digits for the emerging markets coupled with a broadly flat development for North America, given our expectation that IV drug shortages will continue to ease and that some of our high market shares will normalize.

Also do bear in mind a 16% organic growth in North America last year, a tough comp. so in a year when roughly a third of Kabi for good reason isn't expected to grow, we can't expect Kabi as a whole to reach our 5% to 8% target range.

What does that mean for EBIT? You saw the more than 40% EBIT growth of Kabi's North American region last year, so I believe that us reconfirming our expectation to roughly maintain that basis, like for like, should be viewed as a positive.

In particular as that 2015 base is now higher than estimated at that time we initially made that statement and given the nature of our assumptions. The one caveat though is that this roughly flat statement applies to an unchanged scope in North America.

That means it does not capture the 2016 effect of Kabi acquire Becton, Dickinsons prefilled syringe business. And whilst that transaction is strategically important, it is initially dilutive to earnings.

The regions outside North America contributed broadly one-third to Kabi's total EBIT last year. It's tough then to pull Kabi as a whole into the positive, in particular as we are cautious on potential price effects of the newly introduced tender rules in China, there we just don't have a reliable basis yet, plus as I mentioned, as we're planning on a somewhat higher spending level for our R&D and IT projects.

So for Kabi's total EBIT we believe we can roughly match last year's level, adjusted for currency and for the avoidance of doubt, including the effects of the Becton, Dickinson acquisition.

A word on currency - based on our simulation applying last Friday's exchange rates, we should expect a 2 to 3 point headwind from currency translation for both sales and EBIT. In absolute terms we'd be looking for sales of roughly EUR5.8 billion at an organic growth rate of say 2% and for an EBIT of approximately EUR1.16 billion if say there was no EBIT growth.

Over to Helios - where we made our 3% to 5% guidance for organic sales growth last year and where we'd like to stick to it. 2016 is the seventh consecutive year of us guiding to that range. It had served us well.

We have always achieved it. No reason to change it. Given Easter being a Q1 event this year, we may see a slow start, but that then would be nothing to worry about.

For EBIT we expect further progress this year, widespread across the portfolio but in particular from those hospitals that hadn't been with Rhon for too long before we then acquired them, so a growth rate in the mid to high single digits should take us to an EBIT range of EUR670 million to EUR700 million.

Now for Vamed, after 6% organic sales growth in 2015, record order intake in the fourth quarter, leading to a massive order book and the increased weight of the more stable service business we're quite confident to reach 5 to 10% organic growth also this year, despite some of the geopolitical uncertainties in the low oil price potentially resulting in project delays.

And on that basis we'd like to guide yet again also to 5% to 10% EBIT growth for 2016. So for the Group, on slide 17, I would like to start with sales growth where we expect 6% to 8% at constant currency.

For the avoidance of doubt, this guidance range does not include meaningful unannounced acquisitions so the organic growth element should be in the same magnitude as 2015. And as to the currency translation effect, if current exchange rates prevailed until the end of the year we'd expect a headwind of 1 to 2 percentage points mainly from the Latin American currencies to also from the Chinese yuan.

At 6% growth, the bottom end of our guidance range, our simulation results in group sales is approximately EUR28.8 billion. And as to net income growth our full year guidance with 8 to 12% at constant currency, comes on the back of the stellar 21% in 2015, so yet again, at least high single if not double digit growth, despite an extremely tough comp.

Based on its guidance and accounting for our just above 30% ownership position, FMC contributes around four growth points to our guidance range. So also the rest of the group continues to grow very nicely above and below the EBIT line.

Also here, currency, on net income we'd expect a headwind of also 1 to 2 percentage points and that 8%, the bottom end of our guidance range, our simulation results in group earnings of approximately EUR1.52 billion.

Now for good order, this is an operating guidance. Unlike 2015, we do not foresee any below the line items. That doesn't mean it could not happen. If something truly one-time in nature were to arise, say another major legal settlement or a potential impairment charge triggered by even more adverse currency fluctuations in Latin America, that may not be covered by our earnings guidance.

No reason to be alarmed but in the spirit of no surprises, at least no bad ones, I still wanted to bring it up. On the other hand, in the absence of any such larger one-time item, we feel very comfortable with that 8 to 12% earnings guidance.

And as it happens that range coincides very nicely with the implied CAGRs at the bottom and upper end of our 2019 target.

Thank you for now. Mark and I will now be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

We are now starting the question and answer session. If you would like to ask a question, please press star followed by number one on your touchtone telephone. The operator will announce your name when it's your turn to ask a question.

In case you wish to cancel your question, please press star followed by two. The first question is from Veronika Dubajova with Goldman Sachs. Please proceed with your question.

Veronika Dubajova - *Goldman Sachs - Analyst*

Good afternoon, gentlemen, and thank you for taking my questions. I have three please if I may. My first one is just a general question on leverage and your views on the M&A environment and the opportunities that you see.

Obviously you are getting to the bottom end of the guidance of the target ratio for your leverage and I'm just wondering, is the deleveraging a function of you not seeing suitable acquisitions, of you not seeing rightly priced acquisitions and can you just remind us what is on the priority board for you?

And if we were to be having this conversation again in 12 months' time and you are at less than two-and-a-half times net that EBIT what other alternative uses of cash might you consider aside from M&A to maintain the efficiency of the balance sheet. That's my first question please.

My second question is just very quick on the competitive environment in the US injectable generic market. And Mark, I'd love to get your thoughts in what you are seeing on the ground and if you've noticed any changes in the behavior of your competitors. Obviously Hospira is now under the Pfizer ownership and it would be great to get your thoughts on that.

And my last question is on Helios and the Rhon-Klinikum margins. Thank you, Stephan, for the color as to where those assets are performing today. From memory you are targeting for Rhon to get to that 12 to 15% margin corridor that you have for your mature business.

Can you just refresh our memory on what the timeline for that is? Is it the next 12 months or should we be thinking of that as a 2 to 3-year project? Thank you very much.

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Thanks, Veronika. This is Mark. Let me try and get the first two and then hand it to Stephan on the margin question.

Regarding leverage - yes, that has come down a little faster than anticipated mainly due to our strong careful development and I think that's a positive and we should see this. Going forward when it comes to uses of capital, I mean, our first priority is of course to grow through acquisition especially since the industries in all four of our business segments are still consolidating and as and when we see targets out there that are good fit we will move.

So that's priority number one. Having said that, when you look at last year our acquisition spending level has been a little lower than typical previous years. I think in hindsight that turned out to be prudent.

I think some of the hot air has left the asset valuation market in healthcare starting from last fall, but as and when the right opportunity presents itself we will pounce, so we remain interested. I think this growth story both on an organic and also in M&A level is going to continue.

If no suitable targets come up, I think Stephan made the point in his presentation, we are concerned about balance sheet efficiency and so while I have no specific steps to announce at this time, if we were on a mid to longer term basis, it could be below two-and-a-half, we would think about something appropriate to basically get back to our target range of 2.5 to 3.

Regarding the competitive environment in the US, I have seen no major change. You see the usual ups and downs. As products are being introduced, sometimes you get some more competition, sometimes you get less competition.

You still have a fairly elevated shortage level, as we said, still 21 products where Kabi is a supplier concerned by the shortage. So from that point of view, no significant changes and certainly no significant changes coming from some of the new ownership that we have seen in this industry.

So for us that's just as well. I think we have enormous continuity now in our management team on the ground and we continue to do well and we see no particular new negatives coming up.

Stephan Sturm - *Fresenius SE & Co. KGaA - CFO*

Veronika, when we -- let me remind you what we said at the time of the acquisition of the Rhon hospitals. And we took them over with an EBIT margin of that entire portfolio of 7.5%. And we confirmed at that time that we felt comfortable to take that portfolio as a whole well into our target range of 12 to 15% EBIT margin.

I recall that I even said that we should be able to take that into the upper half. What we said was that if you work on the assumption of EUR2 billion of revenue, an uplift to say 13.5, i.e. the midpoint of that range, will be six points, would be EUR120 million of incremental EBIT and we subdivided that total EBIT potential into two categories - the near term that was 85 and Mark, as part of his prepared remarks confirmed that they will be back there and then the balance and that would accrue to us over time.

So the Rhon hospitals now are in the five-year cluster as a whole, but as you are perfectly aware, there are a few of them that only arrived at Rhon shortly before we then acquire them so they will have a bit to go.

So I would in general say that this will be another midterm task to get to the overall synergy number that we had put in front of you but nonetheless, we still stand by that overall assumption.

Veronika Dubajova - *Goldman Sachs - Analyst*

That's great. Thank you, Stephan. So just to clarify that incremental 35 you think comes over the next 2 to 4 years?

Stephan Sturm - *Fresenius SE & Co. KGaA - CFO*

Yes, but in addition to a general further improvement of the underlying portfolio. As you've seen Helios as a whole came in at 11.5% margin, so also excluding the Rhon hospitals we have some further upside potential margin, as evidence by our raised EBIT guidance for 2016.

Veronika Dubajova - *Goldman Sachs - Analyst*

Understood. That's very clear. Thank you both.

Operator

Our next question comes from the line of Gunnar Romer with Deutsche Bank. Please proceed with your question.

Gunnar Romer - *Deutsche Bank - Analyst*

Good afternoon everyone. Gunnar Romer with Deutsche Bank. Thanks for taking my question. The first one, just quickly on M&A again and if you could remind us of the strategic rationale for the acquisition of the business from Becton.

Secondly, on Kabi and your guidance, can you provide some EBIT sensitivity to drug shortages? Would it be fair to assume that your EBIT guidance would be probably in line with your 6 to 10 Please send the attachment.

Thanks, midterm target in case you had assumed drug shortages to remain stable?

And in this context also you do assume a gradual easing of drug shortages, I was just wondering whether you can provide some color as to what that means and so a timeline as to when you would you expect drug shortages to come to an end and what your effective visibility is in this regard.

Then lastly on Helios, just a quick one, what kind of EBIT contribution would you expect from the already announced acquisitions in Niederberg and Diekholzen and also maybe a brief word on the financial impact of the so called Helios PlusCard.

I've seen you signed 5000 now, I was just wondering how we should be thinking about the financial impact both near term, for example, with regard to higher marketing spend but also longer term with regard to potentially accelerating organic growth. Thank you.

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Gunnar, thanks for your questions. Let me try and hit the Becton, Dickinson and Kabi questions first and then hand it to Stephan for the Helios questions.

Becton, Dickinson - we're quite excited about that transaction because we do believe that there is a longer term trend towards prefilled syringes, not only for generic products but for all types of injectable products.

They are clearly safer for the caregivers and they are safer for patients, so from our perspective there's a long term trend underway here. We believe that with this deal we get access to a topnotch facility that can really jumpstart that business for us.

There were a few products already out in the market and we can now basically work on registering more of our existing products in a prefilled syringe format and so over time, again, this is going to be a medium term kind of thing.

This is not a near term immediate profit contributor but over the medium term we believe that this is an exciting, interesting additional category in the generic IV drug market where we intend to become a leader.

We have some experience in that product group in Europe already. I think this now really jumpstarts our business in the US and it also gets us long term supply of what we believe is the best prefilled syringe system and that's Becton, Dickinson's system, so we're quite excited about that.

On Kabi, I know there's a whole lot of interest here in sensitivity regarding the drug shortages and how and when they might be ramping down. I'm afraid we won't be very much helpful on that on giving you a number sensitivity.

This area is just too, how can I say, difficult to forecast, too many changes that have surprised us over the years, so typically our assumption just for planning purposes is when we're saying gradual easing, that with a 1 to 2-year time horizon the drug shortages would ramp down pretty much in a straight line fashion.

If that does not happen, again, then it is an upside but how much exactly that upside is is definitely hard to forecast so I would like to stay away from putting numbers to it if that's OK.

Stephan Sturm - *Fresenius SE & Co. KGaA - CFO*

Gunnar, it's Stephan, and you were asking two sub-questions on Helios. The answer to both of them is not material. On the EBIT contribution from the newly acquired hospitals, I would say they are going to be small but positive.

Niederberg is a profitable hospital, which however we will need to completely refurbish. We will have to do that whilst the hospital is in operation so that may have a negative effect on running earnings but we'd still expect to keep them positive also going forward.

Anyway, it's too relatively small facilities and in the overall shape of things you wouldn't note the effect. As far as the Helios PlusCard is concerned, also here for the time being I would expect a non-material effect, neither to the positive nor to the negative.

On the negative side, yes, we do have some marketing and selling expenses. They are not overly voluminous. On the other hand with the pickup of additional customers, partners, we're going to see more potential in hospitalizations.

However, let me also say the population that we're talking about is typically above average healthy and therefore we would expect a meaningfully lower average hospitalization rate then for the average of the German population.

This at least in the medium term I would not put particular emphasis on when it comes to incremental profitability.

Gunnar Romer - *Deutsche Bank - Analyst*

Thank you. Maybe just one follow-up with regard to your Helios comment then. When looking at your guidance for 2016 and assuming that there is no material impact from the two points you just touched upon then I'm still surprised to see that guidance not slightly higher on the EBIT level because I would have expected that based on your hospital development plan you should be able to achieve EUR700 million-plus at the midpoint.

And that is even more so given a rather favorable reimbursement environment on the one hand and maybe also some temporary tailwinds from the refugee crisis. Any additional comment from your side in that regard?

Stephan Sturm - *Fresenius SE & Co. KGaA - CFO*

You have seen our organic growth rate guidance at 3 to 5% and we have commented on various occasions that while the headline DRG inflater looks good at around 3%, by no means does all of that end up in our P&L and there is substantial loss of that 3% along the way and therefore by no means should you work on the assumption that the price effect in 2016 is going to be 3%.

Relative to the 3 to 5% organic growth guidance for the topline I would argue that an EBIT growth of 6 to 9%, that is what is implied in that EUR670 million to EUR700 million is a good relative performance and it is actually in line with the expectations for our hospital development plan.

As far as refugees are concerned, I wouldn't put too much emphasis on this. From what you've seen, from what we have seen, this is a part of the population that also is well above the average healthy. It is typically young males that are coming to us and therefore we would not work on the basis of the average hospitalization rate but only a fraction of that.

And that is also the experience that we've had so far.

Gunnar Romer - *Deutsche Bank - Analyst*

OK. Thank you very much gentlemen.

Operator

Our next question comes from the line of Tom Jones with Berenberg. Please proceed with your question.

Tom Jones - *Berenberg Bank - Analyst*

Good afternoon. I have a couple. First one was just on Kabi's US drug business. It's sort of difficult for us to sort of tease out the quality of what's in your pipeline. I know you've mentioned quantitative comments in the past about -- or qualitative comments rather, about they are not being much deadwood in the portfolio.

I was just wondering if there's something you might add on that as where that currently lies. The second question was just around Kabi's non-US businesses. We tend to focus a lot on the IV drug business and then the discussion tends to move to a geographical basis when you will get outside North America.

I was just wondering if you could give just a little bit more color on what's going on at a business level in infusion solutions, medical devices and clinical nutrition from ex-US rather than regional basis.

And then the final question is just on Helios. If I add the additional EUR35 million around synergies into the 2015 numbers in a kind of pro forma basis, that very much just gets me to the bottom end of the 12% to 15% target range.

Now knowing the company, knowing you, I think you'll be pretty disappointed if that's what you all managed to achieve over the longer term, so maybe you could give us a little bit of color on kind of when you think you might get nearer the mid or upper end of that EBIT range that you've provided and perhaps what you might be doing to get there.

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Thanks, Tom. Let me start it off with Kabi US and outside of the US. Regarding the US, sorry we would be not much more helpful on this. We're really not doing this to make it hard on you. It's simply that I think it's in the best interest of our shareholders not to disclose too much about our pipeline and I think that's normal industry practice, so I really have nothing to add to this other than greater rate, the number of launches being towards the high end of our target range for 2016 and 2017, also making it clear that we have 50-plus products pending with FDA, so basically a good pipeline even after the years 2016 and 2017.

And also I think we'll do a nice a job replenishing that pipeline, so typically we are filing 10-plus products with FDA to replenish our pipeline going forward. But again, in terms of what are these and when and how, I think it's really best to stay away from that.

Outside of the US, again, one of the big items to watch right now is the development in China because I think what you are seeing here is an essential change in how the products are being priced.

I think there's also positive with that because you remove the risk that one central unit with a stroke of a pen would in the future influence your pricing. As someone who is focused on market-based dynamics in pricing, I think this is more market and it's also more decentralized pricing model because it will be province by province.

So that's something we'll follow very closely and update you as the year progresses. I have not seen much competitive change outside of the US when it comes to infusion solutions or medical devices.

What you see here for Europe and even the emerging markets is a remarkable picture of stability and so it's not that you had any short term significant swings here when it comes to relative market shares or competitive movements.

So really the US generic IV drug business is the fastest-moving part of our business, that's certainly most volatile one, but it's also one of the higher growth and higher margin parts of our business.

Stephan Sturm - *Fresenius SE & Co. KGaA - CFO*

Tom, in addition to the answer that I gave to Veronika, let me point you to the hospital- in Wiesbaden that we acquired from Rhon. We call it HSK as you know.

And not only is it among the largest hospitals that we acquired as part of the Rhon transaction, it is also a hospital that was very fresh with Rhon and is among the latest that came to us because closing of that particular transaction was a bit delayed.

Now that is a maximum care provider with more than a thousand beds but as you probably would have picked up, that we are doing a complete refurbishment of the entire campus. We're building a new hospital whilst we keep that hospital in operation.

Now I would expect HSK to make a larger positive EBIT contribution than last year, in 2016 by no means will they have made it into the target range and only over time I would expect them to gradually make progress here.

So that is an additional key reason why I would say we're going to get there, but we're going to get there only in the medium term. I hope that's helpful.

Tom Jones - *Berenberg Bank - Analyst*

Sure. That gave some color. Thanks.

Operator

Our next question comes from the line of Alex Kleban with Barclays. Please proceed with your question.

Alex Kleban - *Barclays - Analyst*

Hi. Thanks for taking the questions. I just have two. Just on the large pipeline, appreciating you don't want to give too much detail but from the 50 ANDAs overall that you've talked about in the past, is that for 50 different molecules or 50 different formulations?

I just wanted to clarify that. And then on the Becton, Dickinson deal, just to get a bit more detail. First, where do you see the opportunities to improve upon what Becton was already doing in prefilled syringes?

I mean, my understanding is it's a business that had never fully taken off for them as they hoped it would I'm just wondering what you're going to plan to do different to what was done in the past.

And then the second is the partnership aspect of it on IV solution, so I guess sort of the care fusion part of the deal. How does that work in practice and just sort of what are you anticipating operationally in terms of cross-selling or how you are going to approach that partnership with Becton. Thank you.

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Thanks, Alex. For the pipeline, the vast majority of that 50 is different molecules and so we have a very conservative way of counting these different ANDAs so it's not just different formulations.

On Becton, Dickinson, I do think this was a new business venture for them and they were of course not in the generic IV drug business proper beforehand and so I think they, as I have perceived from the outside, they found it hard to scale up the number of products fill that new facility quickly in, you know, achieve the economies of scale that are needed to make this a profitable venture.

I think this is where our broad portfolio really comes into play and I think we have a better opportunity to bundle on some of these prefilled syringe products with our existing fliptop vial products and really have a complete portfolio for our clients.

And so I think that is the key difference. Now having said that, it will take us a while. Again, since every new products needs to be registered, this will take us a while. This is a multiyear undertaking but it is one where the market is still moving with us and we believe that overall prefilled syringes will be in much higher demand in the future than they are now so we believe this is the right trend to bet on.

And regarding the potential cross-selling here with saline I think this is a nice way for us to lock in a high quality partner, clearly was interested now in fusion solutions and really that way has stable demand which I think is important when it comes to building a US facility for saline.

So again, it's all about a good, high quality, mutual relationship, someone that's a long term player in the market, little to no competitive overlap and giving us the stability then to basically plan our investment to increase our posture in saline in the US.

Alex Kleban - *Barclays - Analyst*

If I can follow up quickly, is that going to be then exclusive with Becton on saline?

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

We have not commented on the specific contract details and so I would appreciate if we could stay away from that.

Alex Kleban - *Barclays - Analyst*

And timing wise, can you comment on that, sort of when we can anticipate some financial impact?

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Sorry, I didn't get that question.

Alex Kleban - *Barclays - Analyst*

Sorry, timing wise just to understand when we can see impact coming through.

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

I don't think that on the saline itself I don't think this is a material event for Kabi overall. And then when it comes to the prefilled syringe side of the deal, we said that it's going to be sort of near term, midterm accretive.

Alex Kleban - *Barclays - Analyst*

OK. Great. Thanks a lot.

Operator

Thank you. Due to time constraints, our final question will come from the line of Julien Dormois with Exane. Please proceed with your question.

Julien Dormois - *Exane - Analyst*

The first one is about the margin for China because if I remember well, back in 2013 we had a major round of price cuts in China I think to the tune of high single digit or something like that. It had a pretty significant impact on the margin in APAC because I think you lost about 500 bips or something like that on the margin side.

Given the sales help that you have done in that business since last year, do you think the margin would be more resilient in case there is a worst case scenario materializing on this one?

And the second question is just a confirmation for Helios that you are actually considering going abroad and considering acquisition outside of Germany.

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Thanks, Julien. On China, I think the one key difference, no matter what's going to happen here exactly what this tender system is that it will be a gradual process as opposed to a pretty stiff price cut that went in effect from one day to another.

And so this is a gradual process now as these tenders are being rolled out province by province and our best bet is at this point that this is a 1 to 2-year process and so of course as you see that there may be more price pressure they anticipated, you will react to that and try to adjust your cost base, and if not, you don't have to do it.

But again, you have to time to react and I think that is the key difference to 2013. When it comes to potential magnitude, again, we have some internal assumptions and as we mentioned, we're a little cautious right now on how we're guiding specifically for 2016 but we're not seeing something on the same level of magnitude as happened in 2013.

Regarding Helios, what we just confirmed in the fall and over the winter on a few occasions is that, yes, we are scanning the environment internationally for Helios as well. Same wording as last time, that doesn't mean a deal is imminent. It just means we're basically doing desk research on what might constitute another interesting country market and are there other opportunities out there that could be a good fit.

And then we'll find appropriate ways to let you know if this is heating up so that we are sparing you a [bad] surprise one day to another. So again, we're still studying this. This is still at the desk research phase and we'll see where that goes.

Julien Dormois - *Exane - Analyst*

OK. Very clear. Thank you.

Markus Georgi - *Fresenius SE & Co. KGaA - SVP, IR*

Thanks for you attention and joining today's conference call. If there are any more questions, please give us a call. Thanks and goodbye.

Mark Schneider - *Fresenius SE & Co. KGaA - Chairman of the Management Board*

Thank you.

Stephan Sturm - *Fresenius SE & Co. KGaA - CFO*

Thanks.

Operator

We want to thank Fresenius and all the participants for taking part on this conference call. Goodbye.

Editor

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