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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

Alex Kleban *Barclays - Analyst*

Lisa Clive *Bernstein - Analyst*

Veronika Dubajova *Goldman Sachs - Analyst*

Julien Dormois *Exane BNP Paribas - Analyst*

Tom Jones *Berenberg - Analyst*

Ian Douglas-Pennant *UBS - Analyst*

Chris Cooper *Jefferies - Analyst*

Christoph Gretler *Credit Suisse - 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 Q1 conference call. With us today are Mark Schneider, and Stephan Sturm. Mark will now start with a general 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 on our website.

The forward-looking statements and the disclaimer are on page 2 of the presentation.

With that, 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.

We are very pleased to report a strong start in to the year. On the back of outstanding financial results in 2015, we are seeing continued double-digit earnings growth; this time, without major tailwinds from currency developments. There are no negative sales or earnings growth rates across the board, and all business segments are fully on track to meet their 2016 targets.

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 first quarter of 2016.

We posted sales of EUR6.914 billion; EBIT of EUR959 million; and net income of EUR362 million. Our first-quarter net income is substantially above the level we posted for the full year in 2006, which demonstrates and drives home our history of significant earnings growth.

Page 4 shows the financial results by business segment. While Kabi continues to stand out when it comes to earnings growth, we are also seeing a broad-based positive earnings development with meaningful contributions from Fresenius Medical Care and Fresenius Helios. This is important since Kabi's earnings growth rates will come down later this year, due to exceptionally strong comps in the second, third, and fourth quarter of 2015.

Before taking a more detailed look at Kabi, Helios, and Vamed, a brief word on Fresenius Medical Care.

I'm very encouraged by the Company's sales and earnings growth in the first quarter. Last year, a lot of the underlying performance, in particular, when it comes to top-line growth, had been masked by currency headwinds.

The first-quarter financial results bode well for the rest of the year, and FMC's significant 2016 earnings growth target of 15% to 20%.

Let's turn now to page 5, and a more detailed review of Fresenius Kabi. We're very pleased with the strong start in to the year but would like to remind everyone that this is only slightly ahead of our expectations for the quarter.

We are basically confirming the view on Kabi that we shared with you in February, and only have a few minor nuances to point out when it comes to our regional organic sales growth expectations.

The bottom line is that within the confirmed sales growth ranges we're trending towards the high end in emerging markets, and towards the lower end in Europe. Coupled with a confirmation of our view in North America, it creates a higher confidence level in our overall Kabi organic sales growth guidance, but it does not warrant an increase of that guidance.

Kabi North America saw a very strong first quarter. This is all the more impressive since the drug Vasopressin, one of the growth drivers in Q1 2015, is no longer sold by us.

Neostigmine performed very well for us this quarter. In line with our expectations, the sales price for this product is now down by about one-third compared to the end of 2015, and a new competitor has gained about 20% market share.

Since a significant volume of this product gets sold to compounding facilities, IMS data is not giving you the full picture, hence, my comments regarding price development and market share.

Propofol is another product which has done very well in Q1. Our market share for this product has held up very consistently, and we expect to retain a solid majority market share for the remainder of this year.

We are also pleased with the continued growth in the US market for this important anesthetic, which has been trending towards high single-digit sales growth in Q1 2016.

Regarding the US drug shortage situation in general, we see no significant change from the picture in February. Our assumption continues to be a slow and gradual easing of that situation during 2016.

We have launched three new products year to date, which confirms our earlier projections that 2016 is another robust year with regard to new product introductions.

Our recently acquired pre-filled syringe operations from Becton, Dickinson are performing in line with expectations. Please note that the expected dilutive earnings impact for this year will be stronger in quarters 2 through 4 than in Q1, because our product development and registration activities are still ramping up.

Let's turn to page 6, and Fresenius Helios. Pretty much a tick and pass; no surprises here. Our integration of the acquired Rhoen facilities is done. As you know from earlier calls, it was on schedule and on target, but under budget when it comes to associated one-time costs.

Some of the underlying profitability improvement work is, of course, ongoing. As a result, we're still seeing overall EBIT margin improvement, in Q1 2016 by 50 basis points over Q1 2015.

Organic sales growth was in line with our guidance.

We recently received anti-trust clearance for the new 500-bed facility we acquired in the city of Velbert, in North Rhine-Westphalia. This hospital will get included in our consolidated financials from May 1, this year.

Regarding our hospital network alliance, called Wir fuer Gesundheit in the German market, we scored a major success by signing up the first state-owned university hospital, which is located in Munich. In addition to strengthening the geographic presence of our network, their joining validates the attractiveness of our concept, i.e., offering high quality in-patient supplemental healthcare insurance.

Finally, Fresenius Vamed had a very solid start in to the year. Organic sales growth was 6% for the project business and the service business.

The quarter saw strong order intake, with a good degree of geographic diversification between core markets in Central Europe and emerging markets.

Vamed is fully on track to meet its 2016 guidance.

In summary, a strong and convincing start in to the year, with no negative surprises, and enormous consistency across our four business segments. This is defensive growth at work, combining ambitious, profitable growth with peace of mind.

With that, let me hand it over to Stephan.

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

Thank you, Mark. Good afternoon and good morning; a warm welcome to everybody. You heard it from Mark: we are very pleased with the solid start in to 2016.

Let's go straight to the Group P&L, on slide 8. Sales came in just above EUR6.9 billion, virtually no acquisition effect; currency translation also negligible. So the 7% reported growth is almost exclusively organic with, yet again, positive contributions from all business segments, and from all geographic regions.

For the last seven quarters, we have delivered organic growth between 5% and 8%, and we'd like to extend that series.

On to EBIT, that reached EUR959 million in Q1, up 11% year on year at constant currency, nicely ahead of top-line growth. Also here, strong performance across the board; but Kabi stood out, with 19% constant-currency growth.

Net interest, that was EUR152 million in the quarter, a nice 8% decrease year over year, driven by lower net debt and last year's successful refinancing activities. A sequential pickup is mainly related to a positive one-time at FMC in the fourth quarter of last year. Mike had explained that as part of our February call.

For the coming quarters, I'd expect a run rate slightly below the Q1 level, primarily because cash flow will improve, and some expected favorable refinancing activities. And we, therefore, feel good about our guidance of EUR580 million to EUR600 million for the full year.

The Group tax rate reached 28.4% in Q1; that's in line with our expectations, and also a reasonable proxy for the full year.

Net income, that came in at EUR362 million, up 23% at constant currency; positive contributions from all business segments, but Kabi also here stands out.

Q1 is clearly ahead of our full-year guidance, but that was largely expected. And I'll explain in a minute why we believe that pace may not be sustainable.

Unlike last year, no below-the-line items. That's the way it should be.

Let's take a closer look at Kabi, slide 9. Total EBIT, at the bottom of the page, came in at EUR309 million. That's up 19% at constant currency; clearly ahead of our roughly flat guidance, but largely in line with our expectations. Also here, I'll explain, towards the end of my prepared remarks, why our model foresees lower growth rates in the coming quarters.

Now looking at the regions from top to bottom, I'm not worried about the minus 4% in Europe; that reflects a tough comp, with plus 20% growth in the first quarter of last year. We will see growth pick up from here over the course of this year.

For North America, it's just the other way round. We saw minus 1% a year ago, a fairly modest comp to beat, for the last time, unfortunately.

A good start in the emerging markets, up 14%, mainly driven by Asia-Pacific. We'd expect growth to come down, though, once we've completed tenders in China later this year.

Corporate and R&D was minus EUR71 million, a moderate increase year over year, as expected. I was referring to higher R&D and IT project costs in our February call. You should expect an around EUR70 million run rate also for the coming quarters.

Now over to Helios, slide 10. And there sales, reached EUR1.44 billion in the first quarter, virtually all organic sales growth of 3%, driven by both decent patient growth and favorable reimbursement. A solid performance relative to our expectations, especially given that Easter was a Q1 event this year.

Total EBIT, at the bottom of the page, came in at EUR159 million, up 8%, with a year-over-year 50 basis point margin increase. Progress is broad based: a good contribution from the former Rhoen hospitals, coupled with further improvements in the longer-established portfolio.

No contribution from acquisitions in the first quarter. And we'll consolidate our latest privatization, the Niederberg hospital, from May.

Let's move on to cash flow, slide 11; a moderate Q1, following a stellar fourth quarter of 2015. EUR334 million of operating cash flow for the Group, bottom left; a decent underlying performance.

Still virtually no free cash flow. You see the EUR2 million, bottom-right. Why? Some transitional timing issues at Medical Care, where, no doubt, we'll see the corresponding catch up in the coming quarters. Mike will elaborate on that later.

For the Group excluding FMC, second to last row, we have further improved the LTM margins, and are now looking at a very strong 8.2% for free cash flow.

I'd like to conclude with a guidance update on slides 12 and 13. Kabi's organic sales growth, first. Mark explained that Q1 has turned us slightly more optimistic, but that a revision of our stated guidance range is not justified, yet.

For EBIT growth, given plus 19% in Q1, roughly flat appears conservative. But this is about last year's comps. Do bear in mind the modest start, relatively speaking, to 2015.

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Kabi's Q1 EBIT was well below the full-year average. Q2 was already up 22% sequentially, driven by a 29% increase in North America; and Kabi has delivered quarterly EBIT in a EUR300 million to EUR320 million range ever since, also in this past first quarter. So even if we were able to maintain that level, the growth rate would have to come down.

Our model, however, is a bit more conservative than that. You know the key impacts we have factored in as a matter of precaution: drug shortage benefits in North America gradually receding, potentially negative price effects in China upon the conclusion more provincial tenders, and a ramp up of development expenses on the back of our BD Rx acquisition.

You may find we're too conservative. But based on these assumptions, we're comfortable with our roughly flat guidance, and prefer to confirm it. For good order, that's at constant currency.

We've updated our simulation, and by applying last Friday's rates for the remainder of the year we'd arrive at approximately 3 points headwind from currency translation for both sales and EBIT.

For Helios, given the Easter effect, 3% organic sales growth in Q1 bodes well for the full year. And 8% EBIT growth is bang in the middle of the range that's implied by our EUR670 million to EUR700 million target.

For Vamed, 6% organic sales growth is in line with our guidance. And given strong order intake and the massive order book, I'm not worried about EBIT growth, either.

For the Group, on slide 13, sales growth of 7% in Q1, right in the middle of our 6% to 8% target range for the full year. And even though Q1 has been very reassuring, there's no need to tinker with our guidance.

Net income growth, same logic as for Kabi. Given plus 23% in Q1, our 8% to 12% target range for the full year appears conservative. But also here, Q1 last year stood for only 20% of full-year net income; and Q2 saw a major step up, plus 20% sequentially.

So we're looking at substantially tougher comps in the coming quarters, and, therefore, growth rates in the coming quarters are bound to come down. Having said that, plus 23% is a very comfortable starting point. We, therefore, feel very reassured about our 8% to 12% guidance. And whilst we prefer not to revise that range, arguably, within it we've made a small upwards move.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Alex Kleban, Barclays.

Alex Kleban - *Barclays - Analyst*

I have three questions, if I may. First off, can you give a sense of the Helios growth rate when adding back the early Easter; and also, just some comments on where utilization is and where volumes are? I think, given that a big focus for you was improved volumes over the course of this year.

Second one is on the timing for the provincial tenders in China. Do you have a better sense of how the overall timeline looks at this stage relative to what you had last year -- sorry, last -- at Q4, and what kind of overall impact we could think about?

And then lastly, just on prefilled syringe, and it may be too early to ask this question, but if you've had a chance to get a sense of the three- to five-year overall target for that business, now that you've had a couple more months of the ownership. Thanks.

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

Alex, thanks for your questions; let me try to hit them. I guess, in terms of the Helios Q1 growth rate, we don't have any of the detail simulation that we publish what the Easter effect is like. But do bear in mind that doctors are pretty reluctant during Easter week to take on new patients that will stay there over Easter weekend, and that was the last week in March, so you might want to look as one week out of the quarter as being compromised when it comes to new patient intake.

In terms of the organic growth rate, it was about 2% price and mix; and 1% patient cases. So that's the rough breakdown. And I think that's in line with the pricing information that you heard last fall about 2016.

In terms of the timeline for China, against our estimates, these tenders are rolling out a little slower than we anticipated. By now, we have about five tenders completed, that's out of the total of about 30, so that gives you a sense.

Not all of these tenders will get completed in 2016, so some of this will actually go in to 2017. But I can't give you more detail on how exactly it will break in 2016. I think that's something where we need to watch and update you quarter by quarter.

In terms of the prefilled syringes, BD Rx, no more detail. We've launched one product already that goes back to an earlier filing. And we made one filing with the FDA that's based on some of the molecules that we wanted to bring to market. But we haven't articulated any more specific goals.

And also, do bear in mind that while this acquisition is a highly interesting one to us, in terms of its materiality for the North American, it's still only a minor fraction.

Alex Kleban - *Barclays - Analyst*

Great. Thank you very much.

Operator

Lisa Clive, Bernstein.

Lisa Clive - *Bernstein - Analyst*

I have two questions for you. One around the BD transaction, but actually what happened alongside it.

My understanding, from your press release, was that you also, at the time of the transaction, entered in to a 10-year supply agreement on infusion therapy within the US. And this is a market you've historically not been that interested in, given the strong duopoly between Hospira and Baxter. So just wondering how this BD transaction fits in; how does the agreement work; and what sort of market share opportunity do you think this provides?

And then, my second question on the clinical nutrition market in the US, could you give us an update on how the rollout of your three-chamber bag is going? Are you still targeting EUR50 million to EUR 70 million in revenues for that product this year? And any comments on how we should think of the trajectory of that product longer term.

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

Lisa, for the BD transaction, you're quite right; this 10-year supply agreement for IV fluids was part of the deal. And it was quite important to us, because we do have an interest in eventually bringing our Kabi legacy products to the US market.

But it was important to have an initial anchor client, if you will; someone that can commit to certain quantities and help you actually stomach some of the initial one-time costs as you get interfused in to that market. So, along those lines, it was important, and that relationship is an important one to us.

We expect to get our products approved this year. But initially, we'll ship products, and then eventually we'll segway towards erecting a local manufacturing site.

So, this is a longer-term project. It's not something that will have a material impact on either 2016, 2017, or 2018. But I think long term, that relationship with a quality supplier in the market is important to us.

In terms of clinical nutrition, we're planning to give you an update at the end of the year. Remember, we introduced that product not such a long time ago, and we told you that it takes some initial hand-holding and convincing for users to convert to that product.

It's quite a significant change from previous practices in hospitals, and pretty much bypasses any hospital compounding, and so I think people are taking their time in making the decision to convert to us.

The EUR50 million to EUR70 million target as a run rate in our second year is still something we uphold. But remember, this is not only for the three-chamber bag; this is basically for all Kabi's legacy products, all of Kabi's legacy products. So this would include, for example, our pumps.

Lisa Clive - *Bernstein - Analyst*

Okay. Thanks very much.

Operator

Veronika Dubajova, Goldman Sachs.

Veronika Dubajova - *Goldman Sachs - Analyst*

Thank you for taking my questions. I'm going to start big picture. And I was hoping, Mark, that maybe you can give us an update on your M&A activities; and namely, where you are with the assessment of opportunities for Helios outside of Germany, and how much progress you've made there as you've looked at the potential market.

Secondly, just on your efforts within Kabi, last time we had a discussion about this I think you mentioned that asset levels were coming down. I believe they've come down a bit further since then, so how do you feel the overall M&A environment is looking for Kabi at this stage? And then, I have a couple of follow ups.

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

Yes, thanks, Veronika. And, yes, let's talk big picture. I do think, in all modesty, that we were right about 2014, 2015. Those were pretty elevated pricing levels for healthcare M&A, and a lot of people that did deals, significant deals, in that timeframe either have turned out to be sorry about that or will turn out to be sorry about that. So I do think that our reluctance here to engage in to any big ticket M&A in that timeframe, in hindsight, was vindicated.

Having said that, starting from last fall, asset prices have come down. And, as you know, any particular deal doesn't depend so much on general pricing levels, but on that particular deal itself and the benefits the deal offers and the pricing it comes at.

We remain very focused on our four business segments. If something significant comes along at the right price, we are interested. And we're out there, because those markets are still continuing to consolidate and we want to be a key player in each of the four.

Specifically, when it comes to Helios' international activity, don't get too much confused by rumor mongering out there. We are still studying that market. And we're not at the stage where we're making a deal right now; we told you that, so stay with us on that.

When it comes to Kabi, same thing, prices have come down. But we're very selective in what we believe is a good fit and what isn't.

But so, just to confirm, I do think we stay as hungry for growth as we've ever been; but again, it's going to be focused, it's going to be disciplined. And we are approaching the whole situation from the luxury of basically having filled all the white spaces. So any M&A is really something that we can engage in if it makes sense, but we don't have to do M&A to fill any obvious gaps.

Veronika Dubajova - *Goldman Sachs - Analyst*

Excellent. That's very clear. And would you care to comment, in terms of Kabi, are there particular geographies that you're spending significant amount of time on, from M&A perspective, at this stage?

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

The world is a chessboard, and we'll play the entire chessboard.

Veronika Dubajova - *Goldman Sachs - Analyst*

Understood. And then, if I can just quickly follow up on APP, and if you've noticed any changes at all in the competitive environment in the injectable generics market in the US. I think we've had a couple of product launches from the Indian manufacturers, is that changing the picture at all for you? And I'll leave it at that.

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

It's not changing the picture. We've noticed those two; but, again, those are individual product introductions.

In terms of the real broad-based guys, the people that have a complete portfolio, the relative market shares haven't changed so much and so we remain quite bullish on that US market.

Veronika Dubajova - *Goldman Sachs - Analyst*

Fantastic. Thank you so much.

Operator

Julien Dormois, Exane BNP Paribas.

Julien Dormois - *Exane BNP Paribas - Analyst*

Two questions, if I may, please. The first one is a follow up to Veronika's question about M&A, which is actually the other way to look at cash utilization; and which is at what stage, given your low leverage at the moment, would you consider redistributing cash? In the next few months, or in the next few quarters?

And the second question is an update on the infusion pump business. You launched your own infusion pump in the US, I think, in 2014, if I remember well. I was just wondering what you think of this market when it comes to growth prospects, competitive landscape, and all that.

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

Julien, let me start with the second one. I think when we launched our pumps in the US we cautioned you that this was going to be a slow rollout, because we wanted to be sure we're not just pushing the pumps in to the market, but we wanted to have the appropriate field service organization that goes with it.

Because, unlike some of our consumables, you need a service organization to back up whatever you sell, and clients rightfully expect that level of customer service. And the last thing we wanted to do is roll this out too quickly only to alienate some of our customers then when they don't feel that they get the appropriate levels of service.

So, that's been going well. We're making steady progress. We're very pleased with it, in fact. But it is part of that EUR50 million to EUR70 million second year run-rate target that we talked about. So when you put that in perspective and compare that to Kabi's overall size, we're talking about a percentage point of growth, but that's spread out over a two-year ramp-up timeframe. So, again, it's a nice little upside, but it's not something that's a game-changer.

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

Julien, to your first question, the target range for Group leverage, as you know, has been, and will remain, at least for the time being, 2.5 times to 3 times net debt-to-EBITDA. Relative to that, as you've seen from this morning's communication, we are at 2.6 times. So, on the one hand, agreed, we're approaching that relatively fast, the bottom end of that range; on the other hand, we're still in it.

We also do have a history of, from time to time, undershooting the range, albeit, I will readily admit, our track record of overshooting is a bit richer. Having said all that, I'm not worried about temporarily undershooting that 2.5 times to 3 times range.

The typical de-levering progress that we've seen over the years would call for 30, maybe even 40, basis points of progress year over year. Against that backdrop, I have also guided earlier this year to a leverage of around 2.5 times. By the end of the year, we may be slightly below 2.5 times.

I wouldn't want to be boxed in to a very hard numbers regime. Anything would have to be judged also vis a vis the capital markets' environment at that time. In any case, I wouldn't be worried if we were approaching 2 times.

And so, therefore, given the typical pace that we make, I wouldn't expect us doing something about capital efficiency this year, and probably also not next year. And as we indicated as part of our full-year earnings call in February, we have a few ideas, and I'm reasonably confident that we can maintain a trim and efficient balance sheet.

Julien Dormois - *Exane BNP Paribas - Analyst*

Crystal clear. Thank you very much.

Operator

Tom Jones, Berenberg.

Tom Jones - *Berenberg - Analyst*

I had two questions. The first, I was just wondering if you could comment on free cash flow trends at Helios. There was a fairly substantial year-on-year decline, both in operating cash flow and free cash flow at Helios. Were there any significant one-off cash outflows in Q1 this year, or perhaps one-off cash inflows in Q1 last year, that drove the year-on-year decline?

And then, my second question was just a more general one about inventories in Kabi, particularly the North American drug business.

When you're staring down the barrel of competition coming back in to certain products and certain markets it must be tempting to try and push a little bit more volume out in to the channel ahead of those competitors coming back in, and perhaps that's commercially sensible to do so. I was just wondering to what extent that may have boosted either Q1 revenues at Kabi North America this year, or perhaps boosted the Q2, Q3 figures last year, which were all both fairly strong performances from Kabi. Or am I completely barking up the wrong tree on that tack?

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

Tom, as far as Helios cash flow is concerned, I wouldn't say you're barking up the wrong tree. But anyway, there is nothing extraordinary in there, nothing that I'm worried about.

Inventories are stable; and also, our DSOs are well under control, even though I would like to see a bit more progress. And I'm optimistic that we're going to see a bit more progress over the course of the year; at least, that's something that we're working on. In any case, I think it is a mere reflection of a very, very strong fourth quarter last year, where we had a bit of a spillover in to Q1, a bit of a hangover after a tremendous fourth quarter.

In any case, nothing that I am worried about, and we should see a good performance, operating and free cash flow-wise, in the full year.

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

Tom, with regards to the second question, I can really assure you no worries about Q1; and also, those strong quarters last year.

We're not Channel-pushing types so -- and remember, these were not peak shortage quarters. These quarters were strong because we did extraordinarily well on some particular products, in addition to the shortages. But the peak shortage quarters are a long time behind us; some of them happened in 2010, and some of them happened in 2012, 2013.

When we were faced here with thinking about the competition, the strategy we took is we wanted to contract with our clients for the long term; and this way, take advantage of a more solid relationship. But pushing it in to the channel was never something we pursued.

Tom Jones - *Berenberg - Analyst*

Okay. That's fair enough. And just maybe one quick follow up. Compared to where you were two months ago when you gave your guidance for Kabi, how do you see the drug shortage landscape? I think earlier in the quarter you said it's perhaps marginally better, but is it very slightly better, a little bit better, significantly better? Could you -- a little bit more color around margin would be helpful.

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

Yes, I like the nuanced wording here. So it is ever so slightly better. Remember, I think, to put it in numbers, we had 21 products marketed by us impacted as of February, and it's 20 products now. So that's giving you some numbers indication here. So they're still a long way down to resolving the shortages, but again, ever so slightly, things have become better.

Tom Jones - *Berenberg - Analyst*

Okay. That's fair enough.

Operator

Ian Douglas-Pennant, UBS.

Ian Douglas-Pennant - *UBS - Analyst*

A couple of questions on Kabi, please, and particularly the IV generics business. Firstly, Neostigmine, you said prices have come off one-third. That's a lot quicker pricing pressure than one might expect in that line of business, given the contracts with the GPOs. Were you not able to sign longer-term pricing contracts there? Or were Hikma very aggressive on pricing when they came in, so you were forced to break those contracts?

If so, is part of the reason you're sticking with this conservative guidance is you don't know whether people are going to stay rational on pricing, if you like, going forward, especially with the new competitors that have obviously been mentioned several times on this call already?

And then the second question, sticking with the same thing, is on the FDA's backlog of drugs they're still yet to approve. Are you seeing any benefits of that backlog slowly coming down over the last several months in terms of new product launches? Or is the decline too small, as the headline numbers would suggest? Thanks.

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

Ian, with regards to your second question, no meaningful change. And I think, when I look at our launches this year and the underlying approvals, this is pretty much in line with the expectations we had. So this is very much on target.

When it comes to Neostigmine pricing, as I mentioned in my prepared remarks, that price reduction was pretty much in line with the expectations we had.

Remember, the IV generics market is a spot market. You don't strike long-term pricing contracts; you strike long-term contracts, but you have to meet market price. And so, when people do come in it's all about supply and demand, and there is no stickiness here that keeps that.

So again, we were actually quite happy about the Neostigmine performance in Q1. But whatever happens here on price and market share is pretty much in line with the expectations we had.

And we did publicly say a few times, at investor meetings in January, that this new market entrant, the timing of that and who it was, none of this surprised us. So, as cool as a cucumber about it.

Ian Douglas-Pennant - *UBS - Analyst*

Okay. That's great. Thank you very much.

Operator

Chris Cooper, Jefferies.

Chris Cooper - *Jefferies - Analyst*

Firstly, on China, please, can you break down the 8% organic growth between price and volume? I'm also just keen to hear an update generally on that market there, please; and, I guess, beyond the timing of the tenders, whether there was anything else there that surprised you relative to how you were viewing things at the full-year results. I'll come back with another two, please.

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

Volume growth is above organic revenue growth.

Chris Cooper - *Jefferies - Analyst*

Okay. Thanks. And anything else that surprised you?

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

Yes, we didn't quantify it, Chris. But other than that, nothing surprising in the market. Doing quite well.

Again, what we have to watch is how quickly now these other tenders will happen. We're fairly certain the tendering process will not be completed across all provinces in 2016, but rather extend deep in to 2017. And so, this is in line with some of the expectations we shared with you earlier, that whatever price erosion we might be seeing here is something that's going to be gradually phased in. So it'll give you plenty of time to react, which is a good thing.

Chris Cooper - *Jefferies - Analyst*

Okay. Thanks. Next one on your launch guidance for Kabi, please. You said, at the fourth quarter, that approvals would be back-end loaded this year. You've come out with three in the first quarter, against a loss guide of 10 for the year. Should we now be thinking low to mid-teens in terms of organic launches is a more realistic target for full-year 2016?

And then lastly, another one, somewhat related on Kabi. Your guidance now implies mid single-digit declines through the year for the next three quarters. Clearly, you're approaching some extremely strong comps, but I was wondering if you could provide a bit more color on what has changed on the ground and why you can't get a little bit closer to those comps. As you say, you've still got 20 drugs on the shortage list, and your organic launch profile is still at the top end of the mid-term guidance.

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

Yes, Chris, let me take the first one, and then pass it to Stephan for the second one.

We're still sticking with roughly the same number. So that means at or around the top end of the six to 10 launch per-year guidance.

When we refer to back loaded, we didn't only think about the number of launches, we also thought about the potential commercial impact. And so -- and this is, of course, something that depends on our internal expectations. So we believe that the beefier launches will have their impact later in the year.

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

And that is already part of the answer to your second question. The effect of new launches, that is only meant to come in later this year.

As I mentioned, I'm aware of what the implied growth rates in our guidance are, but we've taken a cautious, conservative stance as to drug shortage benefits receding.

What you also should bear in mind is what Mark and I referred to, and that is the ramp up of development expenses at BD Rx, which will weigh, to a small degree at least, on EBIT in North America, and for Kabi as a whole.

Chris Cooper - *Jefferies - Analyst*

Great. Thanks for the color.

Operator

Christoph Gretler, Credit Suisse.

Christoph Gretler - *Credit Suisse - Analyst*

Mark, Stephan, I've actually a strategic question, as now the results speak for themselves today.

So given you've changed now your now stance on international hospital business expansion, I was wondering if you could give us an update on your thinking about the biosimilar opportunity, and whether or not this recent development now have stimulated any of your interest, or you are still in a wait-and-see mode. And then, I have a second question.

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

Yes, thanks, Christoph. And, I guess, on biosimilars, nothing has changed for us the last few months. It remains an interesting development that we're watching from the corners of our eyes, but we don't believe this is the perfect opportunity for us, given our specific strengths; and also given market dynamics, where things are pretty slow in taking off.

So we're taking a very cautious look. But we follow it quite closely, and if things change then we'll reserve the right to change our mind on this.

In terms of international hospital opportunities, again, we remain interested. We're actively studying several country markets. As I said earlier on the call, this is not one where you should expect announcement next week, but certainly something that we are studying and spending time on.

Christoph Gretler - *Credit Suisse - Analyst*

Okay. And the second question I had was actually on your medical technology business. Do I remember right that we are still having these EUR1.5 billion sales mid-term target there standing?

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

That was a target that goes back, I believe, to our Kabi Capital Markets Day in June 2012. So that target is out there; I know we're not doing extremely well against it, and I'd leave it at that.

Christoph Gretler - *Credit Suisse - Analyst*

Okay. Fair enough. Thank you. Have a good day.

Operator

Thank you. We have reached the end of today's question-and-answer session. I would now like to turn the floor back over to management for closing comments.

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

Well, thanks for joining today's conference call. If there are any additional questions, do not hesitate to contact the investor relations. Thank you, and goodbye.

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

Thank you.

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

Thanks. Bye-bye.

Operator

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