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PRESENTATION

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

Thanks very much. Good morning, good afternoon to everyone. Thanks very much for joining us on our Q3 earnings call. With us today are Mark Schneider and Stephan Sturm. Before we get started, I would like to mention that today's call is being recorded. I would like to draw your attention to the forward-looking statement and disclaimer waiting on page 2 of the presentation. This cautionary language also applies to the presentation and comments to be made today. After the call, a replay and the transcript will be available on our website. Mark will now start with the general business update, and Stephan will cover the financials in more detail. Afterwards, we are happy to take your questions. With that, I would like to hand over to Mark.

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

Thank you, Marcus; 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 that our strong growth trend from the first half of the year has continued, leading to impressive sales and earnings growth for the nine-month period. For the third quarter alone and for the nine-month period, reported net income growth has remained north of 30%.

Marcus 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 three quarters of 2015. We achieved sales of EUR20.369 billion, EBIT of EUR2.849 billion, and net income of EUR1.9 billion. The Group benefited from strong organic sales growth. Reported sales growth rates were slightly down from the first half, since the first-time consolidation effect of some of our 2014 acquisitions is decreasing towards the end of the year. The Group's third-quarter EBIT growth in constant currency was identical to the second quarter. Net income growth for the third quarter and the nine-month were very similar to the first half, even though the US dollar currency tailwind was slightly down from peak Q2 levels.

Page 4 shows the financial results by business segment. We are quite reassured by the high level of consistency in our growth rates across the board. Some of the growth rates you are seeing on this slide are influenced by currency. While Kabi's sales and earnings growth are clearly standing out, there were no disappointments across the board, and that is important in this turbulent time.

Before taking a more detailed look at Kabi, Helios, and Vamed, a brief word on Fresenius Medical Care. North American sales and earnings development continued to be strong. Fresenius Medical Care's international results were impacted by a strong US dollar and special items, such as the divestiture of the Venezuela dialysis business, partially offset by the sale of the European pharmaceutical business. All in all, a solid quarter, and the Company made good progress towards its 2016 targets.

Let's move to page 5 and a more detailed review of Fresenius Kabi. Clearly, the North America region continues to stand out. The reasons are largely unchanged from the first and second quarters: first, continued drug shortages; second, frontloaded product launches in 2015; and, third, the fast ramp-up of the products launched. When it comes to drug shortages, it is noteworthy that the number of products on FDA's shortage list marketed by Fresenius Kabi has remained at or above 20 since January of 2014. As of September 2015, the number is 22, while the total number of injectables on FDA's shortage list is 48. These developments are ahead of our earlier expectations, and we therefore raise our Kabi North America organic sales growth projection for 2015 to a range of 13% to 15%.

While we are still cautious to ensure that your expectations for Kabi North America in 2016 do not overshoot, our projections have improved from what I communicated in the Q2 conference call. Despite the fact that we are increasing our 2015 organic sales growth expectation, we now project 2016 US-dollar EBIT for Kabi North America to be roughly flat compared to 2015 levels. This is based on what we know today. It may be subject to change as we look at the drug shortage development and our own launch activity.

While dwelling on North America, a few more thoughts regarding items that recently made some headlines in the pharma industry. There was concern in recent weeks about future drug pricing in North America, which clearly weighed on the entire sector. While we recognize the importance of this item, regarding the US political debate, we do not believe that this is a concern to us. The average sales price for the Fresenius Kabi US IV drug portfolio has declined by 10% over the last five years and has been flat over the last three years and for 2015 year to date. Our average sales price per unit is $5.57 -- so nowhere near some of the price points that caught the headlines recently. This should give you some assurance that anyone concerned with drug price development in the US is unlikely to start reform activity with us and our products. We firmly believe that generics are the solution here and not the problem.

Another concern, this one even more recent, is the business relationship between certain pharmaceutical companies and specialty pharmacies. Based on 2015 numbers, specialty pharmacies account for less than one half of 1% of our Fresenius Kabi US revenue and are simply not an issue. We also do not own or control any specialty pharmacies. I hope that these comments give you some assurance that our US pharma business is run on a sustainable basis and with strong fundamental prospects.

Continuing with our other Kabi regions, I would like to confirm that our organic sales growth expectations in Europe and Latin America are on track. Organic sales growth in China and Asia-Pacific is a little softer this year, with China targeting high single-digit organic sales growth and low double-digit organic volume growth.

Our Kabi efficiency program continues to be fully on track, with EUR50 million booked in the first nine months and the balance to be recorded in the fourth quarter. The main project in this program continues to be the centralization and cost reduction of our European blood bank manufacturing.

Let's turn to page 6 and Fresenius Helios. Regarding the integration of our acquired Rhon hospitals, we are delivering exactly as promised. Organic sales growth for Helios was a little soft this quarter. For the full year, we expect to stay inside our 3% to 5% organic sales growth range, albeit at the lower end. During our massive Rhon clinical integration project, the focus of our Helios leadership team was more geared towards efficiency than towards growth. On a positive note, we have by now received confirmation of yet another strong German reimbursement increase of 2.95% for 2016. We have added some cautionary words on the slide to be sure your expectations for top-line development in 2016 do not overshoot -- but note that the German hospital reimbursement system is living up to its reputation for tremendous stability.

Finally, Fresenius Vamed has seen a successful third quarter, in particular on the service side of the business. Sales prospects have improved, leading us to narrow our projected 2015 organic sales growth to a range of 5% to 10%.

In summary, another fabulous quarter with enormous consistency across our business segments and regions. At a time of major economic turbulence and generally disappointing sales and earnings growth, it is reassuring to see our low-beta business plowing ahead with 6% organic sales growth and significant double-digit earnings growth. 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 again pleased with this past quarter.

So let's go straight to the Group P&L on slide 8. Q3 sales of just below EUR7 billion -- very much in line with Q2 -- a massive 16% growth year-over-year. That is made up of 7% growth at constant currency and a still strong currency tailwind of 9%. Still strong, but, as expected, clearly below the 13% we saw in Q2. Within the 7% constant currency growth there was just a small remaining net contribution of 1 percentage point from acquisitions, down from 7% in Q1 and 5% in Q2 -- also as expected. That leaves us with a strong organic growth of 6% in Q3, where Kabi yet again led the way with an excellent 10%.

EBIT of EUR1.03 billion in Q3 was up 12% year over year at constant currency. That is the same pace as in Q2, taking us to 14% year to date, despite some meaningful net negative special items in this past quarter.

I am sure Mike will discuss Venezuela as part of the FMC call, and I will talk about currency impact at Kabi in a minute. Net interest for the quarter was EUR146 million, improved from the EUR165 million in each quarter one and quarter two.

Main reason was the long-awaited maturity of our truly high-yield bonds from 2009 in mid-July. We replaced a commercial paper bridge with a new seven-year bond only towards the end of Q3. That would slightly increase our Q4 interest expense and take us towards or even below EUR630 million for the full year. Why is that below my earlier estimate of approximately EUR650 million? Currency translation -- we expected a stronger US dollar for the second half -- and our strong cash flow that led to a lower debt level.

The group tax rate reached 29.7% in Q3 for 29.6% year to date. I don't expect a meaningful change from that level for the full year.

Net income came in at EUR367 million in Q3, up 20% at constant currency. So year to date we are at 19%, unchanged from the first half. We are very happy with that. We knew about the book loss from FMC's disposal in Venezuela that cost us about 2 growth points in the quarter but did not foresee the currency transaction losses at Kabi. Those stand for about another 2 points. So these two factors mask an even higher underlying growth.

As usual, a quick look below the line -- not on this slide, but in the back half, on slides 26 and 27.

The net of integration costs and disposal gains was minus EUR14 million in Q3, taking us to minus EUR28 million pretax year to date. At Helios, we are done now with integration expenses for the former Rhon hospitals. And at Kabi we spent EUR10 million on efficiency initiatives in this past quarter for EUR50 million year to date. For the full year, I would like to confirm the amount of approximately EUR100 million. So we expect a meaningful pickup in the fourth quarter. But I'd also like to confirm our return expectations from these initiatives, growing from an initial EUR10 million this year.

With that, let's move over to Kabi on slide 9. Total EBIT, at the bottom of the page, came in at EUR301 million in Q3. That is 19% constant currency growth, taking the year-to-date rate also to 19%. So a highly successful third quarter. Why is growth a bit behind Q2? The key reason is some book losses on balance sheet items, primarily in Brazil and Russia, given the extraordinary devaluation of their respective currencies over the course of this past quarter. Continue to believe that they are largely isolated from currency transaction effects, because we typically manufacture where we sell, and we partially hedge any residual exposure. So when we report financial metrics at constant currency, only the translation effect is eliminated. The transaction effect isn't, because it is not meaningful.

But for this last quarter, Brazil and Russia are among those very few countries where we have an import business to speak of. So when the real devalues by 30%, the ruble by almost 20% -- all in one quarter -- that will show even in our P&L. And so in Q3, that effect was around EUR10 million or approximately 4 percentage points of EBIT growth, and somewhat masked the excellent underlying development.

So let's take a closer look at the regions. In Europe, top of the slide, a very decent 8% growth in Q3. We have indicated lower contract manufacturing volumes for the second half as part of our Q2 call; and that, in combination with the ruble effect, explains most of the sequential slowdown by 4 points. North America with yet another outstanding 52% reported growth -- Mark gave you the reasons. Sales in the emerging markets were slightly behind our expectations, also because of delayed tenders in China. That weighed on EBIT growth, compounded by the mentioned currency devaluation effects primarily in Brazil. But, despite that, reported growth is still at 28% and a solid further margin expansion now to 20.2%.

Corporate and R&D was minus EUR76 million in Q3, a bit higher than I had thought. That run rate will come down in the fourth quarter, taking us to, say, EUR260 million to EUR270 million for the full year.

Now over to Helios on slide 10, where sales reached EUR1.39 billion in the third quarter. Organic sales growth was 2%, in line with Q2, so not quite the pickup we had hoped for. Mark gave you the reasons -- the efforts to successfully integrate the former Rhon hospitals. But also, please do bear in mind that the prior-year quarter at 6% organic growth is a tough comp. Total EBIT, at the bottom of the page, came in at EUR165 million, a small pickup from Q2. The Q3 margin at 11.8%, nicely ahead of the year-to-date margin of 11.3%, and 1 full point year-over-year.

Let's move on to cash flow on slide 11, where we had yet another very strong quarter. Group operating cash flow of EUR900 million, bottom left, took the LTM margin to 11.3%. Sequential improvements pretty much across the board; Kabi stood out again. Q3 cash flow of EUR235 million, top left, took the LTM margin to almost 14%. Group CapEx, at 5.2% LTM, in line with our expectations. So for free cash flow, bottom right, we are now at a 6.1% margin -- well ahead of our expectations. And that, over and above our dividend payments, allowed us to cut net debt that net by about EUR600 million from the end of last year, which, in combination with ongoing EBITDA growth, pushed our leverage ratio back into the target range. Now we are at 2.9 times.

Let's conclude with an update on our guidance on slides 12 and 13. Kabi's organic sales growth first. On the back of 10% in Q3, we are now at 9% year to date. Key drivers, obviously, are our North American business, where we are at even 16% year to date. That is the basis to raise our full-year guidance for the region by about 4 points to 13% to 15%. In combination with a slightly more modest growth expectation for the emerging markets, we are comfortable to raise the growth guidance for Kabi as a whole to approximately 8%. As a consequence, we now expect a higher EBIT contribution from North America. And that puts us in a position to raise our full-year guidance for Kabi's EBIT growth by 1 point to 19% to 22% at constant currency, despite the fact that the adverse currency effects we suffered in Q3 were unforeseen. Year to date we are at 19%, so we expect to at least maintain that high pace until the end of the year. Currency: we have updated our simulation, applying the weighted mix of average rates year to date and last Friday's rates for the remainder of the year. On that basis, at 8% organic sales growth, we are getting to approximately EUR5.9 billion and, at 19% constant currency EBIT growth, to approximately EUR1.18 billion for EBIT.

Over to Helios, where we are at 3% organic sales growth year to date. So this year's focus on integration and efficiency has cost us a bit of expected growth. But I have no doubt that we will make our guidance, albeit likely only at the bottom end. And with regard to EBIT, I expect the Q4 results to exceed the EUR165 million we were showing in Q3. And, with that, we should finish the year rather at the midpoint of our EUR630 million to EUR650 million guidance range.

Now for Vamed, given 9% organic sales growth year to date, strong order intake over the past quarters, and a massive order backlog, Vamed has entered Q4 with quite some confidence. New geographic markets have offset revenue shortfalls in some of the geopolitical trouble spots. The more stable service business has gained relative weight. And so while the fourth quarter of last year is a tough comp, we believe it is beatable. And on that basis we now see full-year organic sales growth rather in the 5% to 10% range. For EBIT growth, given that Vamed is at 11% year to date, we are very comfortable confirming the 5% to 10% range.

So for the Group, on slide 13, we fully confirm the 8% to 10% full-year sales growth guidance at constant currency. Given the 11% growth year to date, that full-year guidance implies the further and controlled decrease of the net acquisition contribution from the approximately 5 points year to date into our 3- to 4-point estimate for the full year. It also implies a slight dilution of organic growth on the 6% to 7% year to date into our 5% to 6% estimate for the full year. So again, not exactly a hockey stick. And as to the currency translation effect, assuming current exchange rates to prevail until the end of the year, we would expect approximately 10 extra growth points for the full year. At 8% constant currency growth, the bottom end of our guidance range, our simulation results in Group sales of EUR27.4 billion.

As to net income growth, we are raising our full-year guidance to 20% to 22% at constant currency. That increase is driven by both the expected incremental Kabi EBIT and reduced interest expenses, as explained. Given 19% growth year to date, the revised guidance implies a mild acceleration of growth in the fourth quarter. But do bear in mind that we reached 20% in Q3, even including some burdens that won't repeat themselves. For the full-year currency effect, we can expect approximately another 11 growth points. Also, here, at 20% constant currency growth, the bottom end of our guidance range, our simulation results in Group earnings of EUR1.42 billion. So it looks increasingly likely that we will reach at least the bottom end of our midterm target this year already.

One last word regarding our leverage. We are now at 2.9 times. Given that we would expect further EBITDA growth in the Q4 and a healthy cash flow that can be applied to net debt, we may reduce that ratio even further towards the year-end. In any case, it appears safe to guide to less than rather than approximately 3 times.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Gunnar Romer, Deutsche Bank.

Gunnar Romer - *Deutsche Bank - Analyst*

Thank you for taking my question. First one would be with regard to Kabi and specifically an update on your product launches year to date. Any additional color here would be much appreciated.

But, also, where you stand in terms of your IV drugs pipeline, and what are you seeing in terms of average approval times in the US these days? Any change to previous communication?

Then, secondly, also on Kabi, an update on the uptake of your legacy portfolio, specifically the infusion pump and the three-chamber bag -- where you are standing here? And then, lastly, Stephan, I think you referred to a 2 percentage point drag on Group net income coming from Kabi. Can you remind us where that was coming from? I didn't get that. Thank you.

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

Yes. Let me take the first two questions and then hand it to Stephan for your third one. On product launches, in North America specifically, I would like to reiterate that we are in this fairly bullish three-year period -- 2015, 2016, and 2017 -- where we expect to be at or even above in some years our typical 6 to 10 products per year launch schedule. And I think 2015 has lived up to that expectation. We have launched seven products so far. And I think our pipeline is chock-full of new products. We have about 50 or even more products pending with FDA. So I think, when it comes to that, after periods of relative calm when it comes to new product launches, in 2012, 2013, in 2014, we are now in a fairly busy period, and we are benefiting from it. In terms of the approval times, unfortunately, those have not moved up very much, but we didn't expect them to move very much. So we are still talking basically two, 2 1/2 years as the average approval time. But that is fully factored into our launch plans for this year and the next few years.

In terms of the legacy portfolio, I can confirm that the two major product groups that we thought about -- and that is our pumps and also our three-chamber bag nutritional system -- have been launched. We have been out there, basically talking to customers and telling them what the advantages and the features of those products. We expect a meaningful uptick over the years. You remember from what we guided you originally to expect that after two years, we would expect a range of EUR50 million EUR70 million in additional sales. It is still too early to track this quarterly. There are still no meaningful numbers here, but at this point there is no reason to change that estimate.

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

Gunnar, it is Stephan. And to your third question, I was referring to book losses from currency transaction effects to the tune of EUR10 million. So after tax and applied to our third quarter net income in the Group, that is about a 2-point growth drag.

Gunnar Romer - *Deutsche Bank - Analyst*

That's great. Thank you very much. Maybe one follow-up, if I may, just quickly on Helios and the reimbursement news. How much would you actually expect of the 2.95% to feed through to your average selling price in your hospitals next year? Thank you.

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

That is a fair question. And I think there is a good reason for shareholders why we had to stay away from that -- because some of this depends on our negotiating results state-by-state. And so I think it is in everyone's interest that we keep our cards a little closer to the chest here. We just wanted to alert you to the fact that, you know, you can't take the 2.95% one-for-one and take it into your growth model. But I think it is prudent to stay away from an estimate on our part how much of that will translate into an effective pricing increase.

Gunnar Romer - *Deutsche Bank - Analyst*

Makes perfect sense. Thank you very much.

Operator

Veronika Dubajova, Goldman Sachs.

Veronika Dubajova - *Goldman Sachs - Analyst*

I have three, please. The first one is: Stephan, I was wondering if you could comment on the North America Kabi margin. It was substantially lower this quarter than last quarter in spite of some pretty strong growth. And I would presume it is mix-related, but if you can give us some color, how to think about it, what drove it, and then also how to think about it going forward, that would be extremely helpful.

My second question is, Mark, thank you so much for your comments on some of the Hillary proposals. I guess the one that might affect you to some extent is the -- if it is ever finalized -- is the proposal to reduce the backlog at the FDA, which I guess would be both a positive and negative for you. And I wonder if you can just share your thoughts on how that might impact your business in terms of increased competition versus you be able to get products onto the market faster.

And my last question is just checking on M&A. Obviously, we have seen the market fell off a little bit. If you could give us a sense for what your priorities are here -- and, I guess, in case we do not see a transaction from you in the short-term, since you are delevering pretty quickly, what other uses of cash do you envision over the next couple of years? Thank you so much.

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

I am happy to take your second and third questions first and then hand it over to Stephan for the North American margin. On M&A, I would just like to confirm that, for us, financial prudence comes first. And also discipline when it comes to growing exactly along the lines of where we are active today.

You are seeing a whole lot of mega transactions in the healthcare space in 2015. We have never been down that path, and we are certainly not envisioning that we are going to be down there anytime soon. So for us, it is about disciplined transactions that fit perfectly into what we are doing. And that, I think, together with the pricing levels we are seeing right now, really implies we are focusing on small to midsize transactions. Those are likely to happen at any point in time and in any one of our four business segments, as in the past. I would still see us being fairly vigorous along those lines. So it is not that we are slowing down here. But, clearly, at a time when headlines are being made with double-digit billion, triple-digit billion transactions, that is not us. And I think over the years that strategy and its financial effects have really paid off.

When it comes to reducing backlog at the FDA, we would certainly welcome that. And, as you said, at the end of the day it may be a wash because, on the one hand, we get some products out faster to the market; and on the other hand, some other players might get them out faster to our clients as well. But that is okay. I think when you are in the generics space, it is all about getting cheaper, high quality products to the medical community as fast as you can. And so we would certainly welcome that and favor that.

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

Veronika, it is Stephan. Whilst I acknowledge that the margin in North America is down sequentially, I would also make the point that it has been fairly stable within that 35% to 40% range for the last seven, eight quarters. So we are up a good 1 point from the first quarter margin. And I would really call that a normal swing on a highly attractive level. What you should expect is a bit of a margin downturn in the fourth quarter. That has always been the case. And we would expect that also for this year, at least, that is factored into our projections and the guidance.

Veronika Dubajova - *Goldman Sachs - Analyst*

That's great. Thank you very much for that. And if I could just quickly follow up on the -- I guess just more broadly on the injectable generics market, Mark, are you seeing any competitors behaving particularly aggressively when it comes to price? Or is your sense that the competitive environment is pretty stable? And that will be my last question. Thank you.

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

Yes. I think it is very, very stable. And you also see that implied in my earlier statement that 2015 year to date -- the average pricing here across our North American IV drug portfolio was flat, which is a positive. When you go back to the past years -- all the years to the time when we purchased APP, typically 1% to 2% price erosion seemed to be the norm rather than exception. So I think against that comparison, we are doing better this year. And so it is a quite stable environment. And I do want to underline that our prospect for 2016, while it doesn't rise to specific guidance yet, has significantly improved from the summer.

Veronika Dubajova - *Goldman Sachs - Analyst*

Great. Thank you very much.

Operator

Tom Jones, Berenberg.

Tom Jones - *Berenberg Bank - Analyst*

I have two questions: one on Helios and one on emerging markets. Just on Helios, I know I am starting to sound a little bit like a broken record on this, but on the volumes side, how should we be thinking about volumes going forward? Is kind of 2% kind of the new normal for Helios, or should we be thinking about that perhaps picking up towards the 3% range going forward? If so, what specifically are you doing with Helios now the management team have done the integration? What specific measures might you be implementing to try and boost volumes for Helios?

And then, second, on the emerging markets, kind of a terrible place to be doing business at the moment. And who knows how it is all going to fall out. But the kind of bigger-picture question I had was: how does the current turbulence we are seeing in various emerging markets -- particularly China, but also other parts of the world -- how does that influence your willingness to invest in these areas, both organically and through M&A? And I kind of ask the question because earlier this year, we as investors sort of got the sense that you might be interested in some certain infusion solution assets in China, perhaps some clinical nutrition assets in LATAM. But to date we have not really seen much activity on that front. So I just wondered whether the current turbulence has kind of made you pull back, perhaps waiting for a better entry point? Or has it fundamentally changed your view about deploying capital in those parts of the world at the moment?

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

Tom, thanks for your questions. I think on Helios, our best interpretation at the present time is really that we are talking about an unprecedentedly busy integration period, with 40 facilities joining us from last summer to now. A lot of focus on making good on the margin improvement targets we set out. And remember what we said at the time when we announced the deal: if we make good on those margin improvement targets, the deal already very handsomely pays for itself. And we are there, essentially. So I think this is the key news. But we have never integrated 40 facilities before. And as you know from that buddy system which we created, where for each facility among the newly acquired ones, we had a sister facility among the existing ones where their job was to help out -- clearly, when it comes to leadership teams in those hospitals, their focus was on making this work and getting the margin improvement. And they got it. But we noticed over time that with that, the intense focus on patient intake and volumes clearly was waning a little bit. I expect now with the integration being done, we will certainly shift focus back to organic growth. But you shouldn't see this as a push-pull kind of thing, where from one quarter to another, all of a sudden there is a jump. But I do expect that some of the softness you have seen here for the last two quarters will repair itself, as Stephan mentioned earlier.

In terms of emerging markets, look, I am as bullish on emerging markets in healthcare as ever. And when you go back, not just a year or five years, but 10 or 20 years, this is one of two big, key themes that this Company is all about. One is the push into services; the other one is to be the first one out of the gate into emerging markets and making the most of that opportunity. And we still believe in that, because this has easily another one or two decades of significant above-target growth in itself.

But the current turbulence, in my opinion, is sitting mostly on the currency front, as you have seen with Brazil, for example, in this past quarter. It is not getting so much the underlying programs when it comes to healthcare for the middle class, rolling out universal healthcare teams in China, or Indonesia, or some other markets. Those plans have not been put to a stop. It is unlikely they will be put to a stop. And so I think other than currency and some very short-term minor reactions, I think long-term those markets will remain extremely attractive. You did mention some rumors. We never commented on those. I think for anything meaningful that we can acquire there to build our footprint in those markets, we continue to be highly interested. And we will go after those. Our experience is: when you have a target like this, you don't time it. You go after it. And most of the time I think this has paid off very well for the Company.

Tom Jones - *Berenberg Bank - Analyst*

That makes sense. And maybe just one quick follow-up on China. How much of the softness in your Chinese and Asia-Pac business you are seeing at the moment do you think is related to market-wide slowdown in China? And how much you think is related to the change in tendering process that is going on in China at the moment?

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

The point is that the tenders are something we need to watch very closely. And this has good news and bad news. The good news is: you won't be subject anymore to any centrally-mandated price cuts, as we were in 2013. The bad news is that you may see over time a little bit of continued softness as some tendering processes heat up. But compared to a centrally-mandated price cut, when you see softness, you can address to it in a much more even fashion on your cost base, and hence maintain your margin. So we are quite comfortable with it, and this is where we see some of the softness. That is why in my prepared remarks I pointed out that the volume growth remained double-digit, but organic sales growth in China was high single digits. So there is a bit of softness here; nothing that troubles us very much. But what you see with the consumer industries or what you see with industrial goods -- that is a whole different matter. And we are insulated from that.

Tom Jones - *Berenberg Bank - Analyst*

Perfect. That's great. Thanks very much.

Operator

(Operator Instructions) Oliver Metzger, Commerzbank.

Oliver Metzger - *Commerzbank - Analyst*

My first question is on Kabi, in particular on clinical nutrition. We have seen decreasing growth from that over last quarters. Potentially, can you give us some more color on that?

And my second question is also that the latest DRG-inflator of 2.95% seems to be attractive. But also, the latest proposal for clinical reform. So basically, we should see more money in the system. Would that prevent an increasing number of hospitals come on the table for sale? Would you share this view?

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

I do think in the German hospital space, you do have a fairly long-established push-pull pattern. So in years when reimbursement is on the positive side, yes, that takes a little bit of pressure off the public sector to privatize. And this is never an easy decision for a city or a county to privatize their hospitals. And, hence, if they can avoid it, they will. And so yes, good pricing, good reimbursement, tangentially reduces their interest in privatizing. So this is something we need to be aware of. But overall, I don't think it undermines our business case going forward. And there will be other privatization candidates. It is just not happening at the pace that would be happening in case reimbursement was more negative.

In terms of clinical nutrition and the margin development, I am looking to Stephan here -- or the growth development and margin development, I don't see any long-term fundamental issues here. But please weigh in. In our opinion, this is still the second most attractive growth area when it comes to products after IV generics.

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

I very much want to echo what Mark said. And, Oliver, if you go back in time, then you will see that, in particular, the first quarter of last year stood out in terms of organic growth. So we have a bit of a problem with another problem -- the year-over-year comp. And that seems to indicate that growth is slowing, but what we are seeing is actually pretty much in line with our expectations.

Oliver Metzger - *Commerzbank - Analyst*

Okay, great. Thank you very much.

Operator

(Operator Instructions)

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

So if there are no more questions, many thanks for your attention and joining today's conference call. If there are any more questions, give us a call at the investor relations team. Thank you and goodbye.

Operator

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

Editor

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