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FRE.DE - Q3 2016 Fresenius SE & Co KGaA Earnings Call

EVENT DATE/TIME: OCTOBER 27, 2016 / 12:00PM GMT

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PRESENTATION

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

Thank you, and good morning, all. Welcome to our Q3 2016 conference call. With us today is Stephan Sturm. Stephan will give you a general update and cover the financials in depth, followed by a Q&A session. After the call, a replay and the transcript will be available on our website.

Before I hand over to Stephan, please pay attention to our usual disclaimer, which you will find in the presentation.

And now it's my pleasure to hand over to Stephan for his opening remarks.

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

Thank you, Markus. Good afternoon and good morning. A warm welcome. As always, we appreciate your interest in Fresenius.

Markus has pointed out the Safe Harbor language to you, so let's move right into page 3.

Before providing more details and background on our financial results, our highlight in this past quarter was without a doubt Quironsalud. Let me emphasize again why we are so excited about this landmark acquisition.

One, we will combine two market and quality leaders and form an ideal platform to learn from each other and to adopt best practice. Two, we expect substantial cost and revenue synergies. And three, this transaction is not only highly accretive to our group earnings and EPS already from 2017 on; it will also yield more than our group WACC already in the short-term. Quironsalud will be our largest acquisition to date, but we are approaching it from a position of strength. The already strong sales growth of the first half even accelerated in the third quarter. And we are particularly reassured by the consistency in our growth rates across the Group.

All our four business segments contributed in each of their regions to the Group's organic sales growth. And for earnings, we have indeed succeeded in meaningfully topping even last year's truly outstanding third quarter. On the back of these robust financial results, and particularly outperformance of Fresenius Kabi, we are now increasing the lower end of our group earnings guidance by one percentage point and are guiding you to 12% to 14% growth at constant currency.

And with regards to our midterm growth targets, I'd like to confirm that primarily due to the acquisition of Quironsalud, which is expected to contribute around EUR2.7 billion of sales in fiscal 2017 and is, as mentioned, highly accretive to our earnings, we will publish new and ambitious midterm targets for the group as part of our full-year 2016 results to be announced in February next year.

Let's move to page 4, which shows our key financials. The growth rates on this slide are on a constant currency basis, so directly comparable to our group guidance for sales and net income. We have delivered sales growth of 7% in Q3, showing a nice sequential acceleration from the 5% in Q2. EBITDA growth was 6%, a notch below sales growth mainly due to FMC accelerating some share-based compensation expense. More on that later.

But with 10%, net income growth has substantially outpaced the top line.

Let's take a look at the Group P&L on slide 5. And for good order, also the growth rates on this slide are on a constant currency basis. But now it's 6% sales growth year to date, with a traditionally strong fourth quarter ahead, on track to hit the midpoint of our 6% to 8% guidance for the full year.

Net interest was EUR142 million in the quarter, up EUR3 million from Q2. That takes us to EUR433 million year to date. And whilst we expect no major change in the underlying run rate in Q4, we need to consider interest expenses for the Quironsalud acquisition financing kicking in as well as a bit of currency headwind. So we now expect to end the year at around EUR590 million.

The Group tax rate was down to 27.1% in Q3, mainly due to a release of tax accruals at Fresenius Medical Care. More details on that in FMC's call later this afternoon.

For the group and the full year, we are trending towards 28% now. That leads us to a strong 10% earnings growth in Q3. And, yes, that is below the 15% growth from Q2. However, Q3 last year was 5% above the prior quarter, and year-on-year constant currency growth was a massive 20% at that time. So, given such a tough comp, a receding growth rate was very much expected. Actually, that dilution of growth was less pronounced than originally anticipated. Hence, we are now improving our guidance.

Page 6 illustrates the momentum at our four business segments. Sales growth rates shown here are organic. For ease of comparison to our individual guidance ranges, EBIT growth is at constant currency. In general, considering the exceptionally strong comps in Q3 last year, a softer EBIT growth rate at Kabi was expected. However, the year-over-year slowdown also here was less pronounced than originally anticipated. So it's a positive that Kabi succeeded in even contributing to group EBITDA growth, albeit to a minor degree.

Fresenius Medical Care and Helios continued to make meaningful contributions to sales and earnings growth. And Vamed's top-line growth showing the typical pattern of quarterly fluctuations triggered by the lumpy project business, whilst EBIT growth accelerated nicely from the second quarter.

Before taking a more detailed look at Kabi, Helios and Vamed, a brief word on Fresenius Medical Care. There, the Q3 highlight is definitely the 20th anniversary. 20 years of commitment to enhance the quality of life of people suffering from kidney disease and 20 years of outstanding growth. I am convinced that Fresenius Medical Care will continue its success story in the coming years. On to the current quarter, we are driven by the migration to Mircera. And the Company's global efficiency program, Fresenius Medical Care, has again shown strong sales and earnings growth. And with 20% earnings growth year to date, the Company is entering Q4 with quite some momentum.

Let's turn to page 7 for a more detailed look at Fresenius Kabi. In a nutshell, organic growth for Europe and the emerging markets has been broadly in line with our expectations, while North America has performed much better. We've seen 2% organic growth in North America in Q3, which is particularly pleasing given the massive 22% organic growth in the third quarter of last year.

As you know, previous years' results was boosted by launches of key products like neostigmine, which has come under some competitive pressure since. Before commenting on new drug launches, a brief update on the shortage situation. With 16 of Kabi's IV drugs designated in shortage at the end of the third quarter, shortages continue to ease slowly but surely. This gradual easing is fully reflected in our full-year 2016 assumptions. However, the resilience of Kabi's strong market position, built on reliable supply and excellent quality, continues to provide a tailwind. I'd like to reiterate there's quite a life beyond the shortage. This year again, the reason for the more positive than originally anticipated sales development is new drug launches, and Q3 was a vigorous quarter in that respect.

We entered the market with three new products. The Ketorolac injection in ready-to-administer prefilled syringes marked the first new product launch for the Simplist line, following ownership by Fresenius Kabi. Our launch of Daptomycin, first generic to Cubicin, midway through September is also noteworthy because of its general potential, even though we are seeing already and anticipate additional generic competitors in the coming months. And to add to the complexity, the originator has also launched a new formulation. So this will remain a dynamic molecule for the next several quarters. With six product launches year to date, we feel comfortable to confirm our expectation to end the year near the top end of our six-to-10 target range, which bodes well for the rest of the year and beyond.

This being said, given 5% organic sales growth year to date we feel comfortable to increase the full-year outlook for Kabi North America from low single-digit to low to mid-single-digit. This guidance reflects our assumption of a further gradual normalization of drug shortages in Q4 and increased competition for certain products. And do bear in mind that Q4 won't be an easier comp. We therefore expect a sequential slowdown of growth for North America.

Over to Europe, where, with 3% organic growth in Q3, we are broadly in line with our expectations. A fairly stable development in this region in the first half, with a slight acceleration of growth in Q3. As you are well aware, the lower contract manufacturing business in Europe is ongoing and Q4 will be a tough comp. Hence, we still expect to remain rather at the lower end of our low- to mid-single-digit organic sales growth guidance for the full year.

On to slide 8 and the emerging markets, where we are pleased to report yet again a strong performance in China as well as in Asia-Pacific ex China. China is growing at 9% organically. The introduction of the new tender system accelerated, with five provinces finalizing the tender process in Q3 bringing the total to 10. You see a provincial map of China on the right-hand side of this slide. Principally, the darker the color, the more advanced is the status of the introduction of the new tender system. 21 provinces representing nearly 60% of the Chinese population have not yet finalized new tenders, and we expect that this process will continue well into 2017. Due to the revised tender process, we expect low single-digit price reductions as a full-year 2016 impact. At the same time, we continue to experience double-digit volume growth as a basis for sustainably solid sales growth in this key market. My only caveat is that the Q4 of last year was at a particularly strong 11% organic sales growth. So, expectations should not overshoot. Nonetheless, we are fully on track to achieve mid- to high single-digit organic growth in China.

Asia-Pacific, ex China, shows accelerated growth at 10%. Structurally, growing demand coupled with successfully concluded restructuring initiatives led to this excellent performance in this past third quarter. And whilst Latin America and African organic growth rates came down from the high level we saw in the first half, a 7% growth in the third quarter needs to be read against the background of a very strong 14% comp from the prior year. So, overall, the development of the emerging markets is broadly in line with our expectations, and we continue to believe that sales growth will likely be in the low double digits.

Let's turn to slide 9 and Kabi's EBIT. Total EBIT at the bottom of the page came in at EUR300 million, up 1% at constant currency, taking the year-to-date rates to 7%, ahead of our 3% to 5% guidance range. Let's take a look at the regions to see why. From top to bottom, minus 2% in Europe, a bit soft. And due to the ongoing lower contract manufacturing business, we do not expect this to change materially in Q4. North America is clearly above our expectations. Given the stellar 29% growth in Q3 last year, we believe 7% growth now is quite an achievement. And with 11% growth year to date, we feel comfortable to raise our guidance. We now believe we can reach 5% to 7% growth at constant currency for the full year.

Yes, this implies a dilution of growth in the fourth quarter. But do you bear in mind what I just said re: our assumptions for the North American top line. We have also factored in a ramp-up in R&D expenses related to our newly acquired prefilled syringe business. And we are planning for a longer than usual production shutdown at both our Grand Island and Melrose Park facilities over the holiday period. We do this because quality has been, is and remains key, and because we are keen to increase our production capacity for future growth. You may have seen our respective press release from August this year, and so we are taking the opportunity of an excellent year with a substantial outperformance of our expectations to progress this investment program at our two major US facilities earlier than originally planned. With the aim of further modernizing and expanding both sites, we will install state-of-the-art equipment and processes to ensure high-quality production of our critical sterile injectable portfolio long into the future.

In the emerging markets, growth came down from the inflated Q2 levels; it is now at 11%. Do keep in mind what I just said: we have a tender situation in China. Yes, more tenders have been finalized in Q3. The speed of the introduction is lagging behind our early expectations, though. Once more tenders are completed, EBIT growth will be diluted. However, going forward we firmly believe that the low single-digit price impact in fiscal 2016, coupled with continued double-digit volume growth, will lead to sustainably attractive sales growth, coupled with sustainable profitability.

Corporate and R&D showed a sequential increase, mainly driven by precautionary provisions for potential legal risks. In the fourth quarter, I'd expect corporate and R&D costs to return to the Q1 level of approximately EUR17 million.

Let's now turn to Fresenius Helios on slide 10, where we have also seen a strong Q3. Helios' management remains focused on top-line growth, nicely reflected in the 4% organic sales growth year to date. And with 6% reported growth in Q3, we are on a quite comparable level with Q2. The price increase for hospital services in Germany has been set at 2.5% for 2017. This is broadly in line with the level of past years. Booked good order with some cautionary words concerning this DRG increase. A final increase will be lower, as it is subject to negotiations at the state level, and excess treatments beyond the pre-agreed budget continue to be reimbursed only at a discount.

A quick update on the Quironsalud acquisition. The closing process is well on track, and Quironsalud will be consolidated from the closing date onwards. Hence, if closing occurs end of January, and that's our current best guess, we will consolidate the Company from February onwards. As to the financials, Quironsalud management has informed us that the Company is on track to meet its full-year 2016 outlook of around EUR2.5 billion of sales and EUR460 million to EUR480 million of EBITDA. With the financing, we have concluded the increase of our credit agreement with major success and are preparing our next financing steps, which are scheduled to occur later in Q4 as well as in the first quarter of 2017.

On to slide 11 with an overview of the EBIT development as Helios. Total EBIT, at the bottom of the page, came in at EUR175 million, a 6% year-over-year increase, and also margin-wise, an improvement to 11.9%. With EUR507 million year-to-date EBIT, we have reached almost 3/4 of the midpoint of our full-year guidance range. And as we are optimistic about Q4, we also are about our guidance.

Over to Fresenius Vamed on slide 12, where organic sales growth was 1% in Q3 for 2% year to date. The more stable service business clearly outperformed the project business in the first nine months with 7% organic growth. But also for the project business, we are looking to the rest of the year with quite some optimism but, yet again, strong and regionally well-diversified order intake in the third quarter. For example in Ghana, Laos and the United Arab Emirates is bringing the order backlog to a record level, a perfect launch pad for a strong performance of the project business in Q4.

On to slide 13 with an overview of the group cash flow. And, yes, we've had a very strong cash flow quarter. Group operating cash flow of EUR929 million, bottom-left, took the LTM margin to 12%. This positive development is even more remarkable, given a $100 million payment into a pension scheme by Fresenius Medical Care. We've seen sequential improvements for Kabi, Helios and Vamed. Kabi posted a Q3 cash flow of EUR311 million, top-left, and impressive Q3 margin of 20.6%. And that took the LTM margin to above 16%. Helios with a sequential increase of 26% in the Q3 margin of 14.1%, which took the LTM margin firmly up to 11.5%. Group CapEx at 5.5% LTM, in line with our expectations. And so for free cash flow, bottom-right, we are now at a 6.5% margin, nicely ahead of our expectations. We've seen a further decrease of our leverage ratio from 2.62 times in Q2 to 2.5 times at the end of Q3 due to a strong net debt reduction and ongoing EBITDA growth at comparable foreign-exchange rates.

Let's conclude with the outlook, and let's turn to slide 14 and our business segments. The improved outlook for Kabi North America of about 2 percentage points allows us to raise the organic sales growth guidance for Kabi as a whole by one point to now 4% to 6%. And as a consequence, we are also upgrading our guidance for constant currency EBIT growth by the very same one percentage point to the very same 4% to 6% growth for Kabi as a whole.

For Helios, we are at 4% organic sales growth year to date. So, bang in the middle of our 3% to 5% guidance range. We therefore feel very comfortable to confirm that. For EBIT, you heard it: we have reached almost 3/4 of the midpoint of our guidance range. We see no reason why the good year-to-date performance should not continue in Q4. And thus also here, we are very comfortable to confirm our guidance range of EUR670 million to EUR700 million for the full year.

Vamed, where, given the strong order intake over the past quarters and the massive order backlog, the Company has entered Q4 with lots of momentum. And when you see the tick marks for our full-year projections, I don't think we'll just be at the bottom end of those ranges.

Take all that together for the group, over to slide 15, we feel good about confirming our sales growth guidance range of 6% to 8% at constant currency. And for net income, the higher contribution we expect from Kabi puts us in a comfortable position to raise the lower end of our full-year guidance range. So we narrowed that to 2 percentage points and are now at 12% to 14% net income growth at constant currency for the full year. The upper end remains unchanged, as this new guidance includes financing costs relating to the acquisition of Quironsalud.

To wrap up, another strong quarter, and we are approaching Q4 with quite some confidence.

With that, I'm happy to take your questions. Thank you for now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Patrick Wood, Citi.

Patrick Wood - *Citigroup - Analyst*

Thank you very much for letting me ask my questions. I have two, if I may. The first is on the China tender business. Obviously in China the majority of the business there is on the nutrition side. I'm curious if the tender process allows any opportunity for you guys to take some share or expand in IV, so on the generic injectable side in that market. That's the first question.

The second one is really around now that we've seen Pfizer's pump business go, would you be looking for extra deals that remain or do you think still within your existing verticals? I appreciate you've just done the biggest deal you're ever going to do at the moment. But do you think there are other deals you're interested in within the existing verticals, or is this something where you'd look outside of the existing core competencies of Fresenius? Thanks.

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

Thank you, Patrick. As far as China is concerned, just to reiterate, we're a fairly good -- we feel very good about the process as it has gone so far. We do believe that also in China there is increasing opportunity to bundle product sales, and we are optimistic that we can grow our business also across the different business lines that Kabi is currently in.

And that leads me also straight to your second question. As mentioned before, we do see ample opportunity to grow Kabi in the four business lines that they are currently active in, both organically and non-organically, and therefore we have limited appetite to go beyond these. For the avoidance of doubt, that has nothing to do with our recent acquisition, which in my perspective neither constrains us as far as our financial capacity is concerned nor and in particular not as far as Kabi's management capacity is concerned.

Patrick Wood - *Citigroup - Analyst*

Very clear. Thank you very much.

Operator

Veronika Dubajova, Goldman Sachs.

Veronika Dubajova - *Goldman Sachs - Analyst*

Thank you for taking my questions. I'll keep it to two. The first one is just about an update on the competitive environment in the generic injectable market in the US. I'm wondering if you can comment, first, on whether you're seeing some aggressive pricing action from any one of your competitors, and in general how you feel about the pricing versus volume development in the market in the US. I know there's a lot of moving parts, but it would be great to get some color from you on that.

And my second question is really a follow-on to Patrick's question around M&A. With the pump business gone and you having to digest Quironsalud, is your focus moving away from the US from an M&A perspective, or is the US still a priority as you look at transactions over the next 12 to 24 months? Thank you.

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

Thank you, Veronica. I believe your first question -- I'd say no new news. And the trends that we have seen in terms of pricing pressure or the lack of it remain from our perspective fairly unchanged also in the third quarter. That does not preclude further price erosion in those products. That will come off the shortage list. And as I mentioned in my prepared remarks, that is very much factored into our assumptions in particular for the rest of this year. We are not seeing very many if any new market entrants that are noteworthy. We're not seeing someone being very irrational. I think it is just a tale of two stories if a product is on shortage. Then, yes, market shares remain on a fairly elevated level. We are seeing some price erosion once that shortage situation is lifted. On the other hand, you also heard me -- we continue to be -- I wouldn't say positively surprised, but we continue to see that there is quite a life in drugs that come off that infamous drug shortage list. And you know that my best example to prove that point is our propofol, where, a long, long time after it has been removed from the shortage list, we are still holding on to a 77% market share at last count at a pretty good price.

As far as M&A activity is concerned, your second question, I want to reiterate what I just answered to Patrick, and that is our focus is on the four business lines that we are currently active in. More to your question, Veronika, no real geographical priority. What I'd like to see happen -- and I'm fully aligned with Kabi's management team in that respect -- is that we try and fill the regional blanks that we continue to have. We would like to see Kabi more homogeneous in its regional set-up going forward. No time pressure because we can really do this -- approach this from a position of strength. And therefore we do also allow ourselves some flexibility whether we try and fill those blanks organically or by an acquisition. This is in any individual situation weighing up risks and rewards of one route or the other.

Veronika Dubajova - *Goldman Sachs - Analyst*

Terrific. Thank you very much.

Operator

Gunnar Romer, Deutsche Bank.

Gunnar Romer - *Deutsche Bank - Analyst*

Thanks for taking my questions. Three please. Firstly, on the Kabi guidance, and starting with the outperformance in the third quarter, I was just wondering was that purely related to the new product launches, or did the easing of drug shortages also come in potentially a bit less than factored? And also then following up on that one in terms of the outlook for the fourth quarter, I was just wondering whether you can reconcile your expectations with regard to product launches and the easing of drug shortages. Because I'm still struggling a bit why growth should be much lower in the fourth quarter as compared to the third.

Then second question, also related to Kabi, I was wondering whether you can provide us with an update on the rollout of the legacy portfolio, especially the 3-chamber bag. And then last but not least, I was wondering whether you had an update for us on the CFO search, please.

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

Thank you, Gunnar. Look, on the third-quarter performance, whilst trying to be helpful, I don't want to introduce any artificial masterminding into these numbers. I'm afraid there is not much more, then, for me to say. It is both. As you have seen, we've had good product launches. And it is very difficult to assess what a benchmark would be for an easing or not of these -- of the drugs that are in shortage. We continue to expect good drug launches in the fourth quarter. I mentioned that we would expect to get to the top of that 6 to 10 typical launch range. And we also do expect a bit more easing in the fourth quarter. Do bear in mind what I also mentioned about us doing a voluntary shutdown of our plants in the fourth quarter. It's a bit longer than typical to prepare for these massive investments that we flagged to you earlier in Q3. And, therefore, that may also play a role when it comes to weighing on organic growth and in particular on EBIT growth.

On the legacy products, your second question, Gunnar, not much new news. This is, as we all know, behind our original timetable. The approval of in particular the 3-chamber bag proved to be a substantially more cumbersome and lengthy process than initially thought. With our revised plan, we do foresee that we gradually needed to convince key opinion leaders. Because do remember, please, that this is a market that in the US currently does not exist, and we need to create it first. On the other hand, we are not concerned about this at all because we have done the very same in a variety of markets before. And, as Patrick from Citi remarked as part of his first question, China in the meantime is very much a clinical nutrition market for us. So give us a bit of time, please, and we're going to get there.

That's a very smooth handover to your third question. Give us a bit more time and we're going to get there. As I mentioned earlier, this is a thorough and pretty comprehensive search. And we are making substantial progress, good candidates. Do bear with me, and I would expect that we have new news either later this year or early next. For those of you who may be concerned that I can't let go of the CFO position, rest assured I am in desperate need of some support here.

Gunnar Romer - *Deutsche Bank - Analyst*

Thank you.

Operator

Jamie Clark, Bank of America Merrill Lynch.

Jamie Clark - *BofA Merrill Lynch - Analyst*

Two questions, please. Firstly, in the US IV drugs market, do you see the opportunity to Kabi with the sale of Pfizer's pumps business in that it eliminates any opportunities or goodwill generated by ownerships of base pumps and the products that Pfizer had, and you can potentially sell your products to customers more easily?

Then secondly, just looking at the Helios market, can you give us an idea of the levers you have to pull to sustain that kind of 4%, 4.5% organic growth into 2017 and beyond? Thank you.

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

Thank you, Jamie. Hospira has been and continues to be a very good competitor of ours. I think with the inclusion into the overall Pfizer portfolio, they have seen some advantages in particular in the US market. Some of the concerns that were out there amongst our investors upon the announcement of Pfizer's acquisition that in particular Hospira would make major progress in the emerging markets or in Europe. We were, in my mind, unfounded, and we haven't seen major progress there. At the same time, whilst we continue to believe that a bundled product offering is going to be ever more important -- and I think that's at the background of your question. I think with the breadth and depth of Hospira's product offering and in particular in combination with what Pfizer has to offer, they will remain a formidable competitor. And we are well-advised to further broaden our product offering in the US to enjoy the growth and the margins that we currently do have. But I'm fairly optimistic about that.

As far as Helios organic growth is concerned, Jamie, your second question, we are bang in the middle of our range. And relative to what I've said on various occasions in the past, the upper end typically has only been available to us on the back of major privatization activity, then with a bit of time lag driving organic growth. Yes, we're actually positively surprised, in particular because it is a very strong 4% on the brink to be rounded up to a 5%. We told you what the reason was for a bit of a weakness in particular in the organic growth, and that was a bit of being defocused on the back of the inclusion of the Rhon hospitals into the Helios network. Those days fortunately seem to be over. And I would expect that we have -- management on the ground has more capacity to go out and tell our good story about superior quality and, on that basis, also attract more patients. As I mentioned, the reimbursement environment remains stably attractive from our perspective, 2.5%, despite the fact that it is a tad below the reimbursement inflator for 2016, is still at a very attractive level. And, therefore, I continue to be optimistic about sustainable growth for Helios in Germany.

Jamie Clark - *BofA Merrill Lynch - Analyst*

Brilliant. Thank you.

Operator

Tom Jones, Berenberg.

Tom Jones - *Berenberg Bank - Analyst*

First was just on the medical device business at Kabi. We saw a bit of a recovery in growth in Q2, and that momentum seems to have continued quite nicely into Q3. I was just wondering if you could give us some detail on what's driving that and perhaps how sustainable that 6% to 7% growth rate is for that business.

My second set of questions is on Quironsalud. When you initially announced the deal you said you're hopeful for late Q4, early Q1. So I guess you're still within that framework, but it does seem to be slipping towards the latter part of it. I was just wondering if there is anything we should have any concern about -- whether you found any skeletons or you need to make any adjustments to the transaction or anything of that note that has come out since you announced the acquisition -- that would be helpful.

And then just as part of that, now you've done the bank debt financing part of that acquisition. I was just wondering how are you feeling about your overall cost of finance relative to the guidance you gave us at the time of acquisition for around 2% net cost of debt for the acquisition.

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

Tom, your second question is much dearer to my heart than the first one, and, therefore, let me reverse the sequence and just tell you equivocally no skeletons found whatsoever. And it was either late Q4 or it was Q1. Late Q4 would have occurred if the moon and all of the other stars had aligned. It is not completely out of the question, but, at the same time, it is not exactly likely. And, therefore, as I mentioned as part of my prepared remarks, January is our best guess at the moment. And, therefore, you for modeling purposes for now at least should work on the basis of 11 months of Quironsalud's contribution in 2017. But obviously you will hear about it -- all of you, that is -- as soon as we have some new news. Anyway, this is going very nicely, and there are no obstacles neither from Quironsalud internally nor externally.

And as far as the cost of debt is concerned, Tom, my point of view on that one is -- and I seem to recall I mentioned that as part of the acquisition announcement call -- is that you should rather view the 2% as something that is fixed and that I'd like to solve for length for maturity of the overall debt that I'm taking on. I am keen to capitalize on the current interest rate environment. This is a long-dated infrastructure investment that we've done with that acquisition. I would like to refinance it with as long-debt maturities as are available to me. You know that we're a pretty -- we are a fairly new kid on the block as far as investment-grade credit is concerned. So far, the limit for us has been 10 years. Ideally, I'd be in a position to get also meaningful amount of debt that goes beyond the 10 years. I am prepared to pay up for that, but you should also work on the assumption that the aggregate or blended average cost of debt is not going to be above 2%.

On medical devices, we've had a bit of a mini shortage in that particular market segment that we were able to capitalize on. And therefore, no, I don't think that the 6% to 7% growth is sustainable. It is testament, I believe, again, here to our very much focus on quality. We are in a position to supply product when others aren't. We are good citizens on taking undue advantage out of this. But still there is good volume growth in that market. Let's see for how long that lasts.

Tom Jones - *Berenberg Bank - Analyst*

Perfect. That's all very clear. Thank you very much.

Operator

Chris Gretler, Credit Suisse.

Chris Gretler - *Credit Suisse - Analyst*

I have two questions. The first now, I mean, I read your press release and you are talking about ambitious targets for the midterm. Could you elaborate why you added this word ambitious? Because on top of that I think you had targets. And I was just wondering why that word sneak into.

And the second question is on the UK, I know you're a very diversified business typically. But I just wanted to know whether there is any cost revenue imbalances at Kabi and whether we should be aware of anything going into 2017 with respect to margins. That's it.

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

Thank you, Chris. Let me also here reverse the sequence. As far as the UK is concerned, it stands for approximately 2% of overall -- less than 2%, actually, of overall group revenues, to give you a sense of magnitude. Even if there were some imbalances, and there aren't, then it wouldn't feature into our margin development. Also for the UK, this is to a very, very large degree a service business for us, and both for Fresenius Medical Care and Fresenius Kabi, where not only the revenue but also the cost is denominated in sterling. And, therefore, no, you should not expect any meaningful effect oo the sterling deterioration at the moment. Also, it goes without saying we are to quite a degree hedged.

As far as our midterm targets are concerned, Chris, look, I did get the impression that also when we announced our 2019 targets that they have come across as being fairly ambitious. I seem to recall lots of comments with a positive surprise about the ambition level that we dared to get to. I wanted to reiterate that there is no change in attitude as far as that is concerned. Over and above that, I do believe -- you heard me say that now for a couple of times -- that Quironsalud will be very, very nicely earnings-accretive and that, therefore, there is going to be an extra boost that will be reflected in particular in our earnings markets.

Chris Gretler - *Credit Suisse - Analyst*

Okay, very clear. Thank you.

Operator

There are no further questions at the moment.

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

Well, therefore, we are closing our today's conference call. Thanks for joining us today. If there are any more questions, please do not hesitate to contact us. Thank you, and goodbye.

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

Thank you also from my side. I'll be in touch with many of you over the remainder of the fourth quarter and also next year. And we're going to have the next formal earnings call next February not only for Q4 and full-year 2016 but also with a set of ambitious midterm targets. Thank you for now. Goodbye.

Editor

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