

Fresenius Kabi to Strengthen and Diversify Product Portfolio by Acquiring Akorn and Merck KGaA's Biosimilars Business



Bad Homburg, 25 April 2017

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Highlights

- ✓ **Primary purpose: Prepare Fresenius Kabi's U.S. business for the next decade**
- ✓ **Enhances and complements current franchise**
- ✓ **Diversifies product portfolio into adjacent areas**
- ✓ **Expands existing U.S. market access**
- ✓ **Increases market penetration via additional distribution channels**
- ✓ **2020 Group earnings target confirmed**



Acquisition of Akorn



Akorn: Transaction Highlights

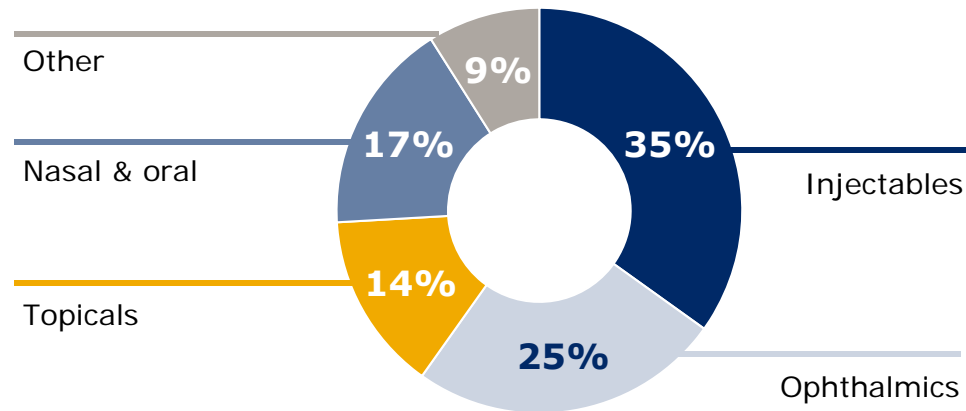
- ✓ **Complementary product portfolio and pipeline diversifies Fresenius Kabi's IV generics offering**
- ✓ **Access to additional distribution channels: retail, clinics and physicians**
- ✓ **Adds growth potential in attractive adjacent segments such as ophthalmology and clinical dermatology**
- ✓ **Substantial cost and growth synergies paired with limited integration complexity**
- ✓ **Fully debt-financed**
- ✓ **Accretive to Group net income¹ from 2018**



¹ Net income attributable to shareholders of Fresenius SE & Co. KGaA; before integration costs

Akorn: Complementary Product Portfolio and Distribution Channels

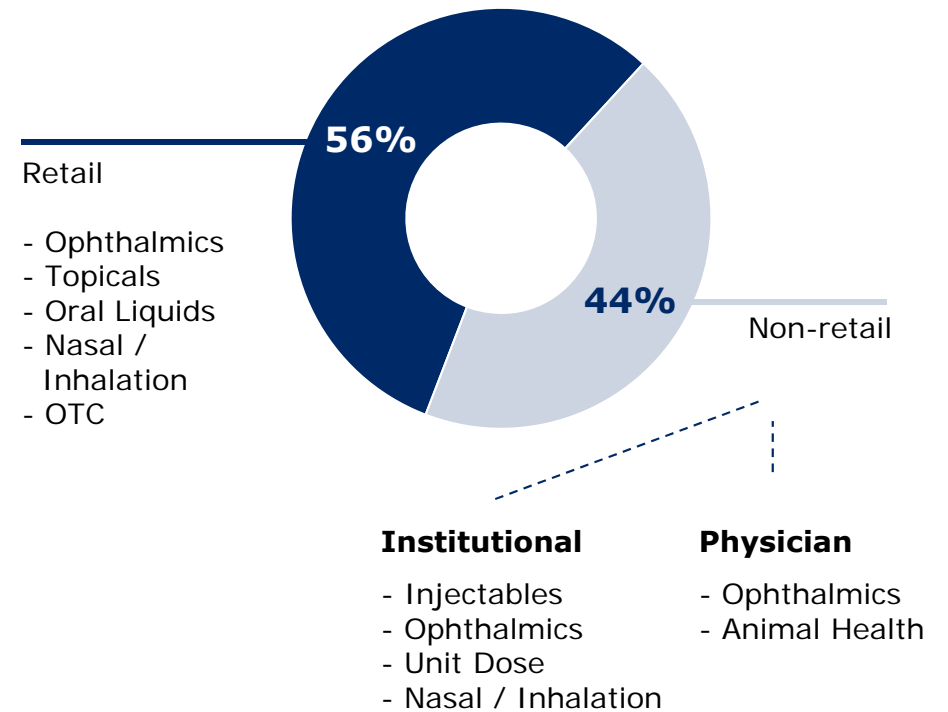
Dosage forms



Common characteristics





- Mostly sterile
- Non-solid
- Generic
- Specialized manufacturing

Distribution channels



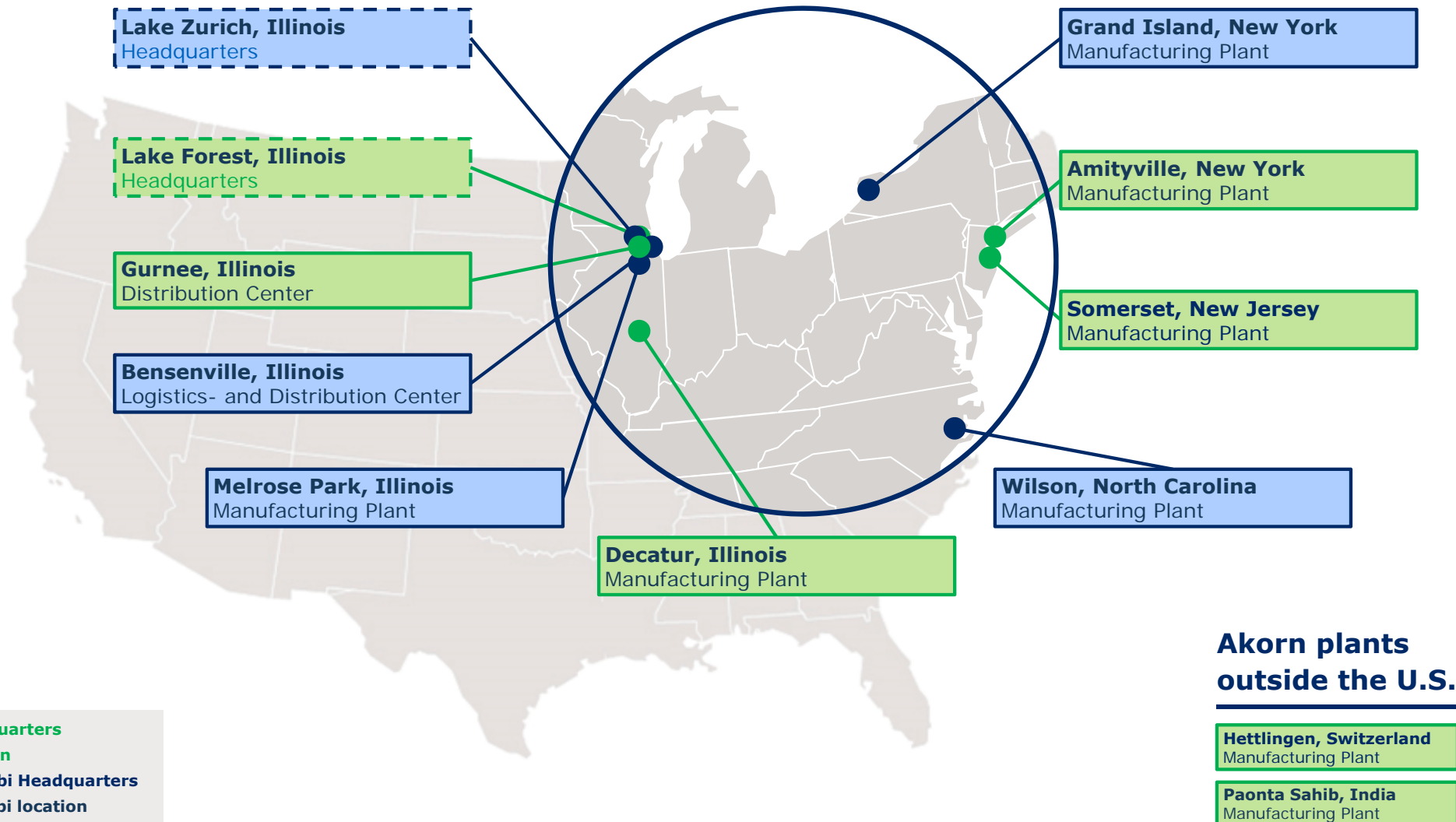
Note: Sales mix based on 2016 data

Akorn: Diversified U.S. Portfolio

	Current Portfolio		Pipeline	
	 FRESENIUS KABI	 AKORN	 FRESENIUS KABI	 AKORN
Total Products	137	173	55	85
IV Analgesics & Anesthetics	●●●	●	●●	●
IV Anti-Infectives	●●●	●	●	●●
IV Critical Care	●●●	●●	●●●	●●●
IV Oncolytics	●●●	●	●●●	●
Nutrition & IV Solutions	●	●	●●	
<hr/>				
Ophthalmics		●●●		●●●
Topicals		●		●●
Orals	●	●●●		●
Nasal / Otics / Consumer Health		●●		●
Animal Health		●		●

●●● strong ●● medium ● light

Akorn: Concentrated U.S. Footprint



Akorn: Detailed and Comprehensive Due Diligence

Process

- Bilateral exchange with Akorn since 11/2016
- Very comprehensive due diligence over more than two months covering all functional areas
- Virtual data room, management presentations and expert meetings
- Multiple visits of all manufacturing plants
- Detailed bottom-up business plan
- Internal resources supported by external advisers and specialists in new product areas

Addressed areas

- ANDA pipeline, related regulatory approvals and R&D costs
- New distribution channels and Akorn's strengths
- Sales practices, pricing history and related customer perception
- Competition in key product areas
- Plant status (technical and regulatory) and future manufacturing strategy
- Serialization readiness
- Accounting issues and internal control systems
- Current trading



Akorn: Substantial Cost and Growth Synergies



Synergies: progressive build-up to **~US\$100 m p.a.** before tax in the mid-term



Main synergy drivers: Integration and modernization of production network, improvement of supply chain and combination of other functions



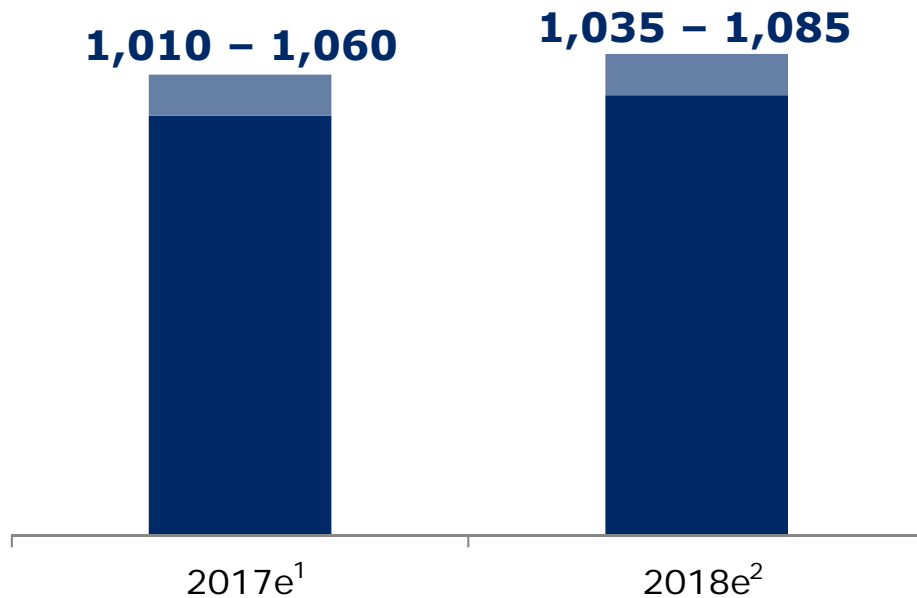
Integration costs: **~US\$140 m** before tax in total for time frame 2018 – 2022; largest P&L impact in 2018



Akorn: Financial Outlook

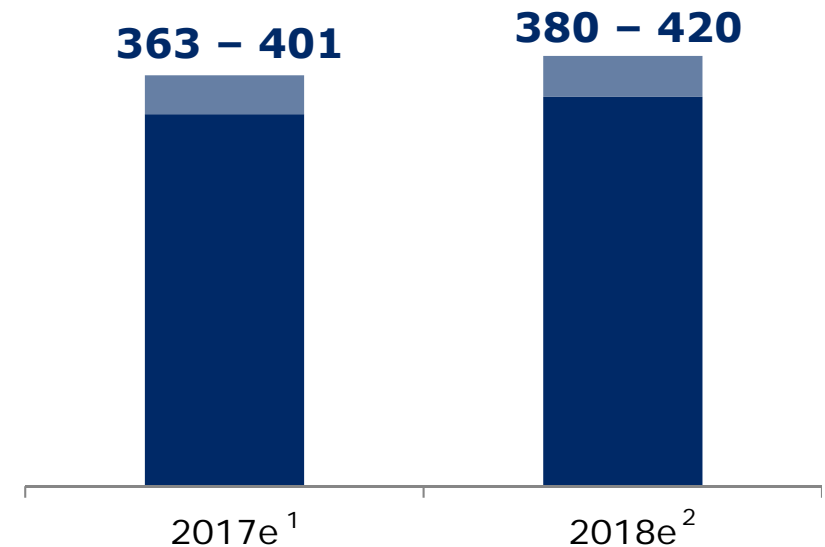
Sales

US\$ m



Adj. EBITDA

US\$ m



¹ Akorn announced on April 24, 2017, that based on a preliminary review of Q1 results, it is reaffirming its previously announced 2017 guidance (including revenue of US\$1,010 to 1,060 million and adjusted EBITDA of US\$363 to 401 million), excluding any one-time costs related to the transaction with Fresenius Kabi

² Fresenius Kabi business plan

Akorn: Financially Sound Acquisition

Cash purchase price	US\$4.30 bn for 100% of Akorn shares (US\$34/share)
Assumed net debt¹	~US\$0.45 bn
Amortization charge	Initially ~US\$130 m p.a.
Synergies	~US\$100 m p.a. before tax mid-term, progressive ramp-up
Integration costs	~US\$140 m before tax in total for 2018 - 2022
Financing	Broad mix of € and US\$ debt instruments at ~4% p.a.
Tax rate	~35%
EPS²	Accretive in 2018 (excluding integration costs), from 2019 (including integration costs)
Closing	Expected by early 2018

¹ Projected net debt as of December 31, 2017

² Net income attributable to shareholders of Fresenius SE & Co. KGaA

Acquisition of Merck KGaA's Biosimilars Business



Biosimilars: Transaction Highlights



Strategic step to enhance Fresenius Kabi's position as a leading player in the injectable pharmaceuticals market



Direct access to attractive biosimilars development platform



Experienced team of biosimilars experts with excellent development know-how



Highly variable consideration strictly tied to development targets



EBITDA break-even in 2022



High triple-digit million sales from 2023 onwards



Biosimilars: Highly Attractive Platform



Background: Established in 2012 as a Business Unit within the biopharmaceutical development/production network of Merck KGaA



Pipeline: Single-digit number of molecules in oncology and autoimmune diseases



Organization: Core team of >70 experts located in Aubonne and Vevey, Switzerland

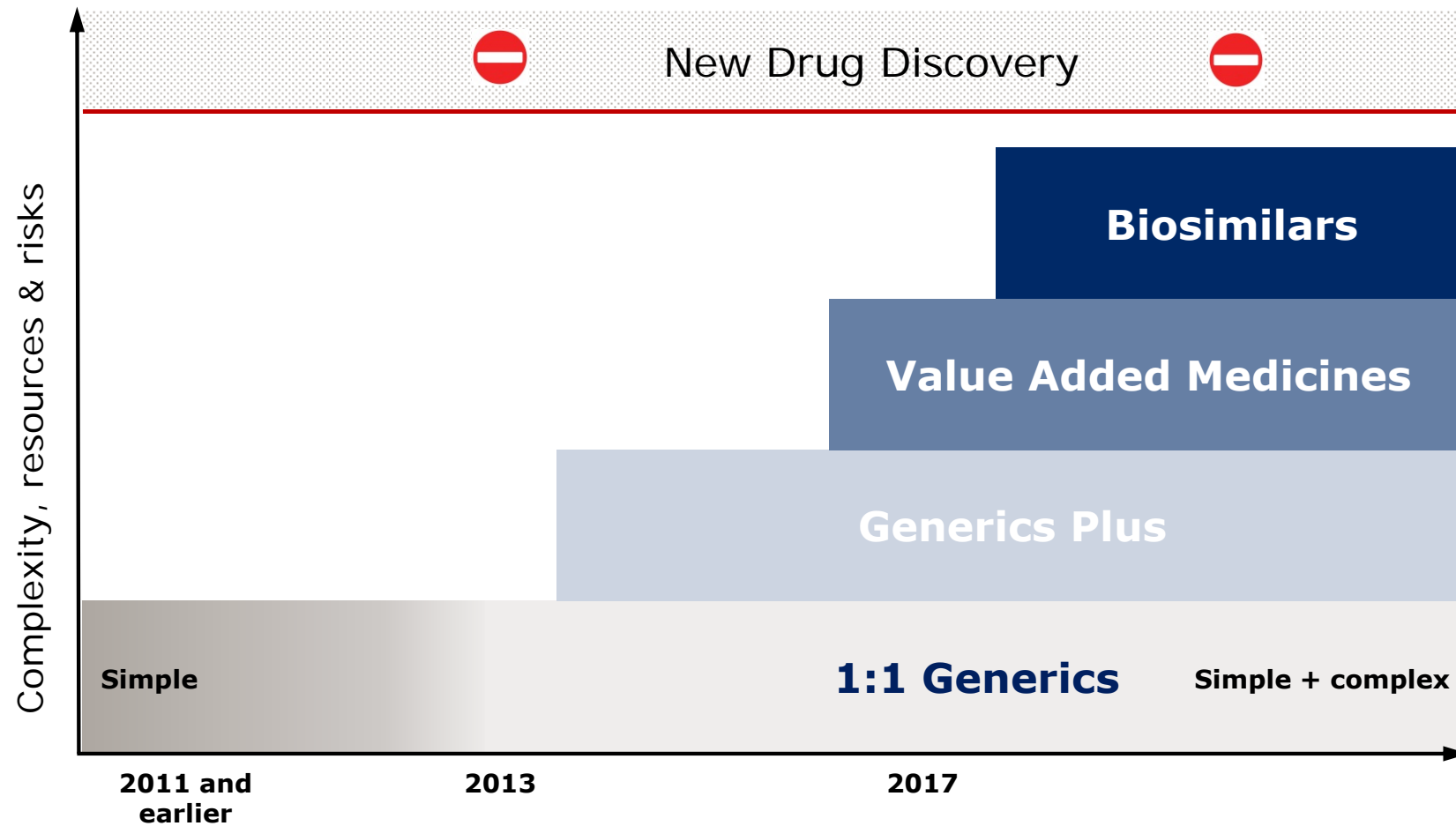


Network: External partners supporting development, documentation and regulatory affairs

Merck Biopharma provides support in manufacturing (one production suite reserved for biosimilars), analytics, regulatory, quality, safety and clinical operations.



Biosimilars: Enhancing Kabi's Already Strong Position in Injectables



Biosimilars: Sound Risk/Reward Ratio

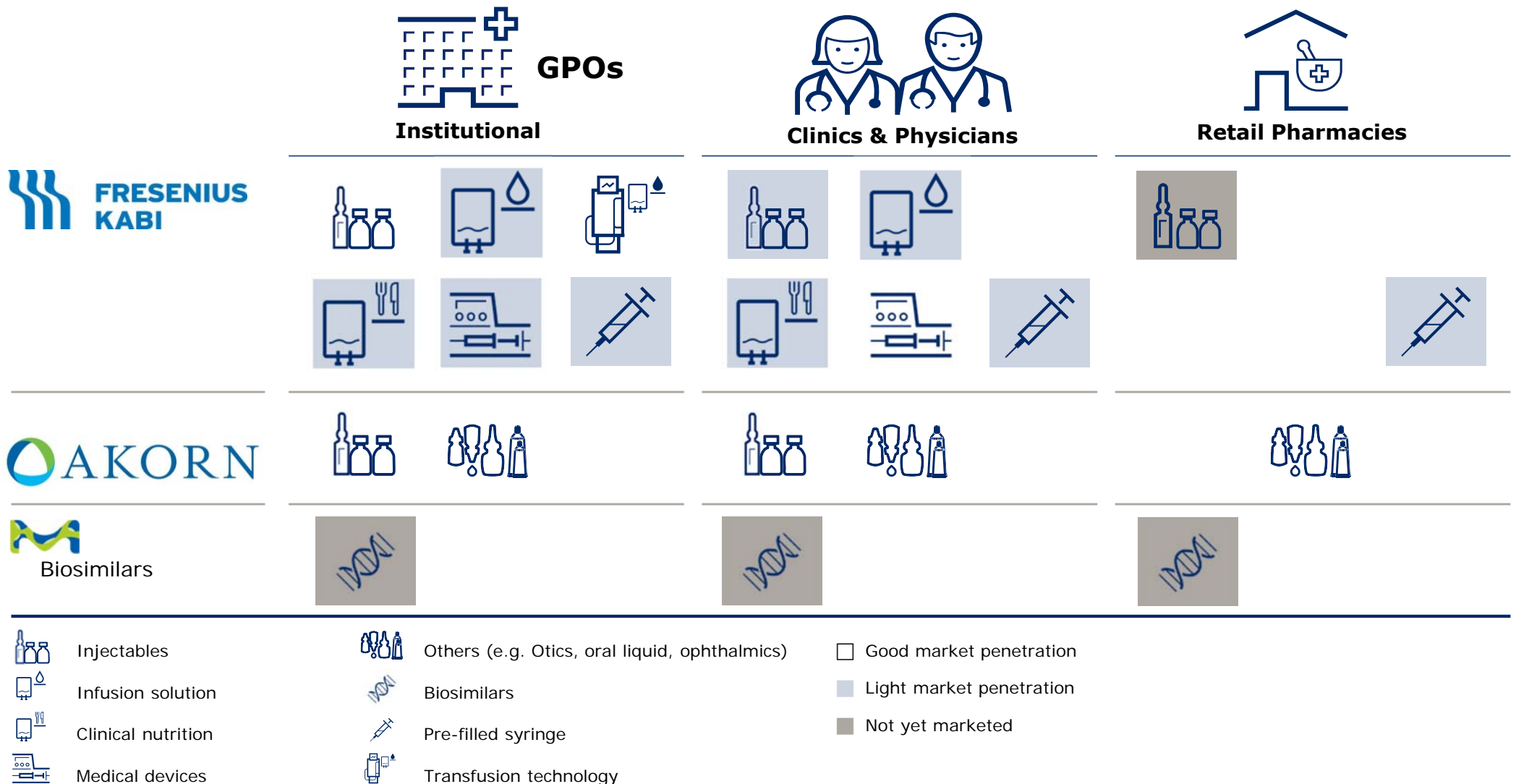
Purchase price	€170 m upfront payment
Milestone payments	Up to €500 m, strictly tied to achievement of development targets
Sales	First sales in 2019, ramp-up to high triple-digit € million from 2023 onwards
Royalties	Single-digit percentage royalties based on sales
EPS¹	Significantly accretive from 2023 onwards
Self-imposed investment ceiling	€1.4 bn incl. upfront and milestone payments as well as ramp-up of R&D and M&S expenses until EBITDA break-even in 2022
Financing	Mainly free cash flow
Closing	Expected in H2/2017









¹ Net income attributable to shareholders of Fresenius SE & Co. KGaA

Acquisition of Akorn & Merck KGaA's Biosimilars Business



Expanding U.S. Market Access

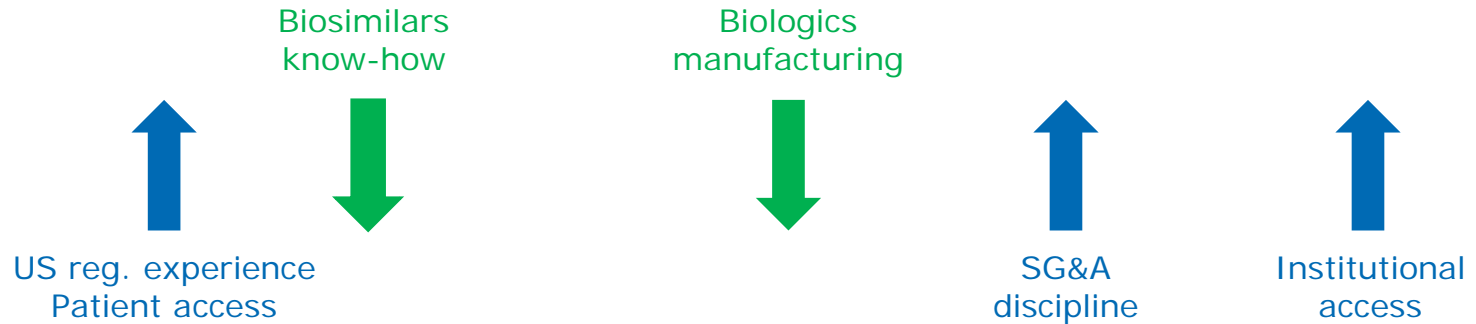


- | | | |
|---|---|--|
|  Injectables |  Others (e.g. Otics, oral liquid, ophthalmics) | <input type="checkbox"/> Good market penetration |
|  Infusion solution |  Biosimilars | <input checked="" type="checkbox"/> Light market penetration |
|  Clinical nutrition |  Pre-filled syringe | <input type="checkbox"/> Not yet marketed |
|  Medical devices |  Transfusion technology | |

Who Brings What to a Great Party?



Biosimilars



Global R&D expertise



Quality Mgmt.
Scale



Scale



US inst. access
Global distribution



Alternate dosage forms

Alternate dosage forms

Diverse sales channels

Combined Implications of Transactions on Group Financials

	12/2017e	12/2018e	12/2019e	12/2020e	12/2021e
Net debt / EBITDA	~3.3	~3.0			
Accretion before ¹		neutral	positive		
Accretion fully loaded ²		dilutive		neutral	positive
2020 earnings target confirmed					

¹ Before amortization and integration costs

² After amortization and after integration costs

Well Positioned for the Next Decade

2020+



Partner of choice
for our customers



Continue to build ever
stronger and diversified
portfolio



Quality leadership
in the industry

Share Information

Share key facts

Number of shares ¹	553,497,393
WKN / ISIN	578560 / DE0005785604
Ticker symbol	FRE
Bloomberg symbol	FRE GR
Reuters symbol	FREG.de

ADR key facts

Ratio	4 ADRs = 1 ordinary share
ADR CUSIP / ISIN	35804M105 / US35804M1053
Ticker symbol	FSNUY
Exchange	OTCQX International Premier
Structure	Sponsored Level I ADR
Depositary bank	Deutsche Bank

¹ As of March 31, 2017

Non-GAAP financial measures

For additional information on the performance indicators used please refer to our website <https://www.fresenius.com/alternative-performance-measures>.

For information regarding non-GAAP financial measures or adjusted figures derived from Akorn's public information, please see section "Non-GAAP Financial Measures" on Akorn's FY/16 press release using following link:

<http://investors.akorn.com/phoenix.zhtml?c=78132&p=irol-newsArticle&ID=2250528>

Financial Calendar / Contact

Financial Calendar 2017

03.05.2017	Report on 1 st quarter 2017
12.05.2017	Annual General Meeting, Frankfurt/Main
01.08.2017	Report on 2 nd quarter 2017
02.11.2017	Report on 3 rd quarter 2017

Please note that these dates could be subject to change.

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