

**Conference Call and  
Live Webcast  
25 April 2017, 2.00 p.m. CEST**

## Investor News

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### **Fresenius Kabi to strengthen and diversify product portfolio by acquiring Akorn and Merck KGaA's biosimilars business**

- Transactions provide access to attractive pharmaceutical growth markets
- Acquisition of Akorn, Inc. expected to be accretive to Group earnings<sup>1</sup> in 2018
- Acquisition of Merck KGaA's biosimilars business creates excellent position in a fast-growing market
- Both transactions fully debt and cash flow financed
- 2020 Group earnings target<sup>2</sup> confirmed

Stephan Sturm, CEO of Fresenius, said: "From a position of strength, Fresenius Kabi enhances and complements its business with two major steps. Akorn is an excellent strategic fit for Fresenius Kabi. The company's product portfolio is highly complementary to our well-developed generics business. The simultaneous entry into the biosimilars business is the right step into the right direction at the right time. The acquired biosimilars assets are an attractive opportunity for Fresenius Kabi to enter this strongly growing and highly profitable segment. Both acquisitions are milestones on Fresenius Kabi's growth path for this decade and beyond."

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<sup>1</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA, before integration costs

<sup>2</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA

## **Acquisition of Akorn to strengthen and diversify core business and product portfolio**

- Purchase price of US\$34 per share equivalent to US\$4.3 billion, plus approximately US\$450 million<sup>1</sup> of Akorn net debt
- Akorn's board recommends approval of transaction and merger agreement
- Substantial cost and growth synergies paired with limited integration complexity

Fresenius Kabi has agreed to acquire Akorn, Inc., a U.S.-based manufacturer and marketer of prescription and over-the-counter pharmaceutical products, for US\$34 per share equivalent to US\$4.3 billion, plus approximately US\$450 million<sup>1</sup> of net debt.

Akorn produces and markets a diverse product portfolio of injectables, topical creams, ointments and gels, sterile ophthalmics, as well as oral liquids, otic solutions (for the ear), nasal sprays and respiratory drugs. Akorn products are sold in retail pharmacies (prescription and over-the-counter) and directly to physicians, in addition to hospitals and clinics – almost exclusively in the U.S.

Akorn participates in a total U.S. market of approximately US\$106 billion. Akorn's current product pipeline of pending ANDAs (Abbreviated New Drug Approvals) has a total addressable IMS market value of US\$9.3 billion. The company employs more than 2,000 people and has three R&D centers and five manufacturing facilities in the United States, Switzerland and India. The U.S. headquarters for Akorn and Fresenius Kabi are both in Northern Illinois, located in close proximity.

Akorn announced today that based on a preliminary review of Q1/17 results, it is reaffirming its previously announced 2017 guidance (including revenue of US\$1,010 to 1,060 million and adjusted EBITDA<sup>2</sup> of US\$363 to 401 million), excluding any one-time costs related to the transaction with Fresenius Kabi. The total purchase price corresponds to approximately 12.4x adjusted EBITDA<sup>2</sup> at the mid-point of the expected 2017 range. Assuming the transaction closes at the end of 2017, Fresenius Kabi projects 2018 sales from this business of US\$1,035 to 1,085 million, and EBITDA<sup>3</sup> of approximately US\$380 to 420 million.

“Bringing together our two companies and product portfolios will strengthen and diversify our business in the U.S.,” said Mats Henriksson, CEO of Fresenius Kabi.

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<sup>1</sup> Based on projected net debt of US\$450 million as of December 31, 2017

<sup>2</sup> For a definition of Akorn's adjusted EBITDA please refer to Akorn's FY/16 press release as of 1 March 2017

<sup>3</sup> Before integration costs

“Akorn brings to Fresenius Kabi specialized expertise in development, manufacturing and marketing of dosage forms currently not available in our portfolio, as well as access to new customer segments and products. Akorn’s pipeline is impressive, with approximately 85 ANDAs filed and pending with the FDA and dozens more in development.”

Mid-term, the acquisition is expected to create cost and growth synergies of approximately US\$100 million p.a. before tax. Fresenius Kabi expects a progressive ramp-up of those synergies which will be achieved by integrating and modernizing Akorn’s production network and by combining other functions. For the period from 2018 to 2022, Fresenius Kabi expects integration costs of approximately US\$140 million before tax in total. The integration costs are projected to be frontloaded with the major impact in 2018.

Fresenius expects the acquisition to be accretive to Group net income<sup>1</sup> and Group EPS<sup>1</sup> in 2018, excluding integration costs, and to contribute positively from 2019 onwards including integration costs.

Akorn’s board recommends the approval of the transaction and merger agreement with Fresenius Kabi to its shareholders. Akorn’s largest shareholder, who beneficially controls approximately 25% of its shares, has committed to supporting the transaction. The transaction is subject to customary closing conditions, including regulatory review under the Hart-Scott-Rodino Antitrust Improvements Act in the U.S. and approval by Akorn shareholders. Closing is expected by early 2018.

The purchase price will be financed by a broad mix of Euro and US-Dollar denominated debt instruments.

## **Entry into growing biosimilars market**

- Strategic addition to Fresenius Kabi’s existing drug portfolio
- Attractive product pipeline with a focus on oncology and autoimmune diseases with current branded sales of around US\$30bn
- Investment ceiling of up to €1.4 billion until 2022, strictly tied to achievements of development targets

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<sup>1</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA

Fresenius and Merck KGaA announced today that Fresenius Kabi will acquire Merck's biosimilars business, which comprises the entire development pipeline and an experienced team of more than 70 employees located in Aubonne and Vevey, Switzerland. The product pipeline has a focus on oncology and autoimmune diseases with current branded sales of around US\$30bn.

A biosimilar is a drug that is "similar" to another biologic drug already approved. Biologics are innovative medicines characterized by a targeted mode of action and reduced side effects for patients. Their biosimilar versions make these state-of-the-art therapies affordable and accessible for an increasing number of patients.

Fresenius Kabi expects first sales towards the end of 2019 and estimates to ramp-up the business to high triple-digit million sales from 2023 onwards based on the current product development schedule. Fresenius Kabi has agreed to pay single digit percentage royalties to Merck based on sales.

Mats Henriksson, CEO of Fresenius Kabi, said: "Biosimilars are a fast-growing segment within the pharmaceutical market. Some of the largest biological branded products will go off patent over the next years. With this acquisition, Fresenius Kabi enhances its position as a leading player in the injectables pharmaceutical market and further diversifies its product portfolio. The acquisition creates a platform for further growth."

The purchase price will be up to €670 million. Thereof, €170 million will be paid in cash upon closing. Approximately €500 million are milestone payments strictly tied to achievements of development targets. Analytical testing, clinical studies, quality requirements specific to biosimilars as well as marketing and sales activities are expected to result in increased costs for Fresenius Kabi. These costs are expected to occur in uneven tranches. The total expected cash-out and self-imposed investment ceiling is estimated to be up to €1.4 billion until projected EBITDA break-even in 2022. From 2023 onwards, the acquisition is expected to be significantly accretive to Group net income<sup>1</sup> and Group EPS<sup>1</sup>.

The transaction is subject to regulatory approvals and other customary closing conditions and is expected to close in H2/2017.

The total investment in the biosimilars business will be mainly cash flow financed.

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<sup>1</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA

## Implications of transactions on Group Financials

Fresenius confirms its 2020 earnings<sup>1</sup> target range of €2.4 to 2.7 billion.

Both transactions combined are expected to be neutral to Group net income<sup>1</sup> and EPS<sup>1</sup> by 2020 and accretive from 2021 onwards. Before amortization, both transactions combined are projected to be neutral to Group net income<sup>2</sup> and EPS<sup>2</sup> by 2018 and to contribute positively from 2019 onwards.

Group net debt/EBITDA will temporarily increase to approximately 3.3 after closing of both transactions. The leverage ratio is expected to return to approximately 3.0 at the end of 2018.

### Telephone Conference

A telephone conference concerning the acquisition of Akorn and Merck KGaA's biosimilars business will be held at 2.00 p.m. CEST on 25 April 2017. All investors are cordially invited to follow the conference call in a live broadcast via the Internet at <https://www.fresenius.com/events-and-presentations>. Following the call, a replay will be available on our website.

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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>

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Fresenius is a global health care group, providing products and services for dialysis, hospital and outpatient medical care. In 2016, Group sales were €29.1 billion. On December 31, 2016, the Fresenius Group had 232,873 employees worldwide.

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<sup>1</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA

<sup>2</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA; before integration costs

For more information visit the Company's website at [www.fresenius.com](http://www.fresenius.com).  
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