



## **Annual General Meeting of Fresenius SE & Co. KGaA on May 20, 2015**

### **Speech of Dr. Ulf M. Schneider, Chairman of the Management Board**

**The spoken word has precedence.**

Good morning, ladies and gentlemen. On behalf of the Management Board, I would like to wish you a warm welcome to the Annual General Meeting of Fresenius SE & Co. KGaA. I am very pleased to see so many of you here today. I would also like to welcome members of the media and everyone who has joined us via our webcast.

Today, we are looking back on a very successful year for Fresenius and forward to a very bright future. If you have heard that before, it is because I said something very similar last year, and in previous years, too. And my speech today will not contain any surprises in that regard. We attach great importance to continuity at Fresenius and it is a theme that will run through my remarks.

This company is and always will be reliable. Our patients can rely on us for the very best health-care. Our customers and partners can rely on us to deliver great products and services. And you, our shareholders, can rely on us to continue delivering strong financial results, as we have done in past years.

*2014 Group results*

2014 was another very successful year for Fresenius. Sales increased by 16 percent in constant currency to €23.2 billion, and EBIT exceeded €3.1 billion, an increase of 4 percent. Net income also rose by 4 percent, to almost €1.1 billion. And, we met all of our guidance targets, as you have come to expect of us.

*11th consecutive record year*

2014 was our 11th consecutive record year, underscoring how reliably the company has performed over the long term. We have had 11 straight years of sales and earnings records. Eleven years in a row when we have been able to say, "This year has been the best in our company's history." We have come a long way, and not by taking small steps: Between 2004 and 2014, sales more than tripled, with an impressive compound annual growth rate of 12 percent. Over that same period, Fresenius' net income increased six-fold, with a compound annual growth rate of 21 percent.

Our company has been growing for many decades, thanks to the accomplishments and vision of my predecessors. Their entrepreneurial spirit, their skill in spotting and seizing opportunities, and their determination and drive have helped make Fresenius one of the world's leading healthcare companies.

As successful as last year turned out to be, we had to address some significant challenges: further reimbursement cuts in the United States, Fresenius Medical Care's largest market; also in the U.S. market, an easing of supply constraints on important drugs that had benefited Fresenius Kabi; the integration of the hospitals we acquired from RHÖN-Klinikum at Fresenius Helios; and political turbulence in Russia and Ukraine, two important markets for Fresenius Vamed.

These were difficult challenges, but we have tackled all of them successfully, just as we said we would.

*2014 results for the business segments*

Overall, the results of our individual business segments reflect this. All of the business segments reported increased sales, with HELIOS reporting exceptional sales growth of more than 50 percent. That growth largely reflects the first-time consolidation of the 41 hospitals we acquired from RHÖN-Klinikum. This transaction was also the main reason behind a 42 percent increase in EBIT at HELIOS. Fresenius Kabi, however, experienced a slight decline in EBIT. This was expected and due partly to the easing of drug shortages in the United States.

Our excellent performance last year was a direct result of the hard work of our employees, who now number more than 215,000. Their dedication and tireless efforts are the basis of our success. On behalf of the entire Management Board, I would like to express my sincere thanks and deep appreciation for their outstanding contributions.

*Fresenius Group: An excellent start to the new business year*

We had an excellent start to 2015 and have every reason to expect our 11th record year will be followed by a 12th. First-quarter sales rose by 13 percent in constant currency to €6.5 billion, while EBIT increased by 18 percent to €851 million. Net income grew by 16 percent to €292 million. It is worth noting that those figures are constant currency growth rates. They do not reflect exchange rate effects, which are currently very favorable to Fresenius. At actual rates, the growth was significantly higher.

*22nd consecutive dividend increase*

At Fresenius, business success translates into higher dividends for our shareholders, and we are proposing a 6 percent increase in our dividend to 44 euro cents. This will be our 22nd consecutive dividend increase. We have a very straightforward dividend policy: Our dividend increases in line with growth in earnings per share before special items. This clear policy allows you to calculate how the dividend is likely to develop.

*The Fresenius share: An attractive long-term investment*

A steadily increasing dividend is only one factor that makes Fresenius an attractive investment. The other is the performance of our share price. Last year, it increased by 16 percent and easily outpaced the overall rise in Germany's benchmark DAX index. This positive momentum has accelerated this year, with the share price currently at €57.19, an increase of approximately 33 percent since January 1.

Over the past decade, total annual shareholder return, which includes share price increases and reinvested dividends, has averaged 20 percent. That compares with the DAX average of 9 percent. Those numbers are telling. Your investment in Fresenius has yielded more than double the average return from the DAX over the last 10 years.

*Continuity as an integral part of our corporate culture*

But the numbers tell only part of the story. You might even say that they only scratch the surface of something much deeper at Fresenius: Continuity is embedded in our company's DNA.

*Continuity in our values*

Fresenius has a long history. The company is now more than 100 years old. We began as a small pharmacy lab and are now a global healthcare group. While Fresenius has changed enormously over the years, our basic values have remained the same: an unwavering focus on the patient, who always comes first; quality, which is indispensable to providing the best possible treatments; reliability, so that patients and customers can always count on us; and innovation, as we constantly search for even better solutions to today's most pressing healthcare challenges.

These are the values on which Dr. Eduard Fresenius established this company more than a century ago. They still motivate us today and will continue to guide us in everything we do.

*Continuity through long-term strategies: Acquisition of RHÖN hospitals*

Just as we stand by our time-tested values, we always aim to pursue long-term strategies. When we embark on a path that proves to be the right one, we stick to it – consistently and with our sights set on the future. That sometimes demands persistence in the face of setbacks. A good example of that is our acquisition of the RHÖN-Klinikum hospitals.

Back in 2012, we tried to acquire RHÖN-Klinikum AG outright. When those efforts failed, many observers thought: case closed. But we did not abandon our goal of creating a comprehensive, integrated healthcare network across Germany. Last year, we successfully acquired 41 hospitals from RHÖN-Klinikum. Now, a HELIOS hospital is within an hour's drive of almost anywhere in Germany. We persevered and ultimately achieved our objective. We are now making outstanding progress on the integration of these hospitals.

*Continuity through long-term strategies: Fresenius in emerging markets*

Let me give you two more examples of how consistently we pursue key strategic goals. The first involves our growth in emerging markets. Almost every company is trying to enter these markets today, but we have been doing business there for many years and are reaping the benefits of being a true "first mover."

For example, we have been present in Brazil since the late 1970s. This may not seem especially remarkable for a multinational corporation, but at the time Fresenius was a medium-sized company with only a few hundred employees. Moving into such a large country so far from home was a big, bold step.

The same can be said about our move into China, where we began operations in 1982. By the time that market opened up to the world, we were already well-established, with our own production facility and excellent knowledge of local market conditions. We follow the same strategy when we enter a new market today: Get in early, establish local production facilities, and then grow the business step by step. In many of our markets, we are seen as a local company. That is a significant advantage in a business as politically sensitive as healthcare.

*Continuity through long-term strategies: From products to therapies*

My second example of how we are pursuing long-term strategies is our transition from a pure product supplier to a therapy provider. For many decades we only sold products, but since the mid-1990s we have increasingly carried out treatments ourselves – and are getting closer to patients. Our sales revenue from services has tripled in the last 10 years and now accounts for two-thirds of our business. We are determined to continue on this path. That is not because the product business has become less attractive. We have grown strongly in this area and will

continue to do so. It is because the better we understand the entire treatment chain, the better the therapies we can develop. This knowledge benefits our patients as well as healthcare systems. For Fresenius, it also translates into excellent growth opportunities.

*Our responsibility*

By ensuring the long-term success of our company, we are also fulfilling our responsibility to healthcare systems around the world. When you are in the business of helping seriously ill patients, as we are, it is not enough to do your best today – you also have an obligation to advance medical progress by developing the treatments of tomorrow. We must be a reliable partner for patients, customers and governments, and we must continue to earn their trust. That is our duty, and we take it very seriously.

*Continuity in management and staff*

You can also see continuity standing before you now. I am the fifth chief executive in our company's 103-year history. Our Management Board members have served the company, on average, for 14 years. Every current Management Board member has been with Fresenius for at least 10 years. This commitment to our company is important to us. It stands for quality and consistent performance, and it shows that there is joy and satisfaction to be found in our work. This certainly applies for all our employees and not just our senior managers. Our company newsletter illustrates this fact. Not so long ago, staff members in Germany celebrating a long-service anniversary could be listed on a single page. Soon, we will need two full pages of fine print. Fresenius is not just another career stop.

*Steadily increasing demand for healthcare*

The relative stability of our markets has supported our steady growth. This is no coincidence – it is part of our strategy. The demand for healthcare continues to rise around the world. In industrialized countries, it is driven primarily by increasing life expectancies and health awareness. Globally, more people are gaining access to high-quality healthcare, yet enormous pent-up demand persists in large parts of the world. Many of the biggest emerging market countries are rolling out comprehensive, nationwide healthcare coverage. And let us not forget the role that medical progress will play in creating more growth.

*Outlook for 2015: Fresenius raises guidance*

I would like to conclude my remarks today with a look forward to the rest of the year and beyond. We are very confident that our steady, strong growth will continue. In fact, our prospects for 2015 led us to raise our full-year outlook after the first quarter. We now forecast net income in constant currency to increase this year by 13 to 16 percent, up from our earlier forecast of 9 to 12 percent growth. We continue to expect sales growth in constant currency of 7 to 10 percent.

*Fresenius confirms medium-term targets*

Our medium-term goals are also ambitious. We are targeting Group sales of about €30 billion and earnings of €1.4 to €1.5 billion for 2017. All business segments are expected to contribute to this growth. Due to our strong presence in the United States, we may reach those targets even sooner if the U.S. dollar remains strong.

Continuity will remain our standard and our way of doing business. The Fresenius growth story will continue, as we continue to contribute to the quality and efficiency of healthcare around the world. Our commitment to providing better medicine for more people will not change.

Continuity is something that you, our shareholders, have also shown to Fresenius through your trust and loyalty. Fresenius has a very promising future, and I hope you will continue to support us in the years ahead.

Thank you for your attention and your interest in our company.