Annual General Meeting of Fresenius SE & Co. KGaA
on May 17, 2019

Speech of Stephan Sturm,
Chairman of the Management Board

The spoken word has precedence.

Dear Shareholders!

I would like to wish all of you a warm welcome to the Annual General Meeting of Fresenius. It’s great that you are here today.

Let me start with the issue of greatest importance: Your company is doing very well! We can look back on a successful year, and look forward to a very promising future. A future in which we are investing. For the benefit of patients. For our company’s long-term success. And this is to your advantage, as well. That is good news. Important news!

Share price impacted by reductions in earnings targets

I know, of course, that there was not only good news from us in 2018. I know very well that our share price went very much in the wrong direction. Many of you are very concerned about this. And so am I. But what happened? I want to explain it to you.
You know that we always provide very precise guidance. How will our sales develop? Our earnings? And how will our business segments do? We give concrete answers – not just general statements – to these questions; detailed answers, in figures. You deserve to know where you stand with us, and normally we meet our targets. Sometimes we even beat them. That is what you are accustomed to from us.

Last year, unfortunately, we didn’t succeed. We had to reduce our earnings targets – twice, within a short period. The first time on our 2018 guidance. And then on our mid-term targets. That is not what you are accustomed to from us. It definitely does not meet the standards we set for ourselves. I say quite frankly that it personally bothered me very much. It had a very negative impact on our share price, which you can see on the chart: The two big drops reflect the two downgrades in our earnings targets.

Positive development in the share price since the start of the year
For us, this means winning back confidence. Winning back your confidence. I assure you that we will work very hard to do exactly that. This year our share price has continued to recover some of the lost ground, which shows that we are on the right track.

Successful conclusion to legal dispute with Akorn
Another topic that made a lot of headlines in 2018 was our legal dispute with Akorn. No question: We wish it could have been avoided. As you will recall, Akorn is a U.S.-based generics maker that we wanted to acquire. Akorn’s products would have made a sensible addition to Fresenius Kabi’s portfolio. But during the takeover we discovered grave misconduct at Akorn. Product data had been systematically manipulated – an action totally incompatible with our values. We had no choice but to withdraw from the merger agreement. We knew this would lead to a very complicated legal battle, but we also knew that we were in the right. Ultimately, the U.S. courts confirmed it. This showed that we had very carefully prepared the takeover; we had secured contractual assurances for those areas that we were not allowed to examine during the due diligence process, which provided the basis for the judgment in our favor. What this success also showed is that we are uncompromising in the defense of our rights. For the sake of our company. For your sake, dear shareholders.
Dear Ladies and Gentlemen!

2018 was not an easy year for us – not at all. But despite everything, it was still a successful year. Our figures show that:

▶ Sales: €33.5 billion, an increase of 6 percent.
▶ Earnings: Almost €1.9 billion, an increase of 7 percent.

We continued to grow – for the 15th consecutive year!

26th consecutive dividend increase

This also means that, if you approve, the dividend will be raised again – to 80 cents, a strong increase of 7 percent that is equivalent to the increase in our earnings. In this way we are making sure you share in our success. This will be the 26th straight year that Fresenius has paid a higher dividend.

Fresenius is ever more people

We have further increased the number of our employees – there are now more than 280,000! Every day they go to work for our patients – producing new medicines, developing new products, helping babies into the world and caring for very ill people. They are motivated, committed, and passionate about what they do. That makes me proud. Our employees make me proud. They are Fresenius, and their work is our success. I think that deserves a big round of applause.

Last year was not only a success in numbers: 2018 saw us take our business forward, as well. We expanded our activities in every business segment, and reached significant milestones. I would like to just briefly mention a few of them, which are symbolic of many others.

New dialysis machine for emerging markets

Fresenius Medical Care is a good place to start. We have launched a new dialysis machine – the 4008A – developed especially for the needs of emerging markets. Robust, simple to operate and capable of providing treatment that meets Fresenius Medical Care’s high standards.
Yet it also significantly lowers treatment costs, with the goal of making dialysis available to the greatest possible number of kidney disease sufferers. Their situation in many emerging market countries remains dire; in Asia, for example, only one in three people suffering from kidney disease has access to dialysis, which has created a huge treatment gap. In the case of end stage renal disease, as you know, dialysis is essential to saving lives, and we want to help these people. We must help them. Not least with the 4008A. It is being launched on the Indian market first, with other Asian countries to follow.

Investments in production facilities
At Fresenius Kabi, we have again invested heavily in our plants. It is a long list: Canada. China. The Dominican Republic. The Netherlands. The United Kingdom. The United States: And those are only some of the countries where we are expanding and upgrading our production facilities. Just in our plant near Chicago we will invest about €350 million by 2026.

Why such major investments? For one thing, they ensure our continued growth: Demand for our products is rising, and we want to meet it. And for another, they enable us to meet our responsibility to patients. We are not making sneakers or chewing gum, but medicines – medicines needed urgently by people around the world. To live. To survive. Making sure that they can always obtain these medicines is anything but simple. Supply bottlenecks for the most important medicines arise frequently – even in highly advanced nations like the United States. Usually because of quality problems that prevent a producer from being able to deliver. We are fully engaged in confronting these bottlenecks. But how? First, our production quality, which is of the very highest level, keeps production stoppages to an absolute minimum – so that we ourselves do not cause a supply shortage. This is what we have been doing, and what we will continue doing. Secondly, we can also make up for product shortages by turning to our international production network. And quickly, too. When others must pull out, we can venture in. That is why we are investing so much in production. For helping to mitigate a shortage, Fresenius Kabi even won an award last year from the FDA, the U.S. drugs regulator.

Expansion of the hospital business internationally
Let me turn now to Fresenius Helios, which presents a mixed picture. The international business continues to perform very well. In Spain, Quirónsalud is developing according to plan: In sales, earnings and patients treated, all the arrows are pointing up, and we have opened a
complete new hospital in Cordoba. In addition, we will be active in another country: Colombia, where we agreed in October to acquire Clinica Medellín, which operates two hospitals in the city. Quirónsalud had already acquired Peru’s largest hospital in 2017, and is now in Colombia. Latin America’s hospital markets are growing, and we want to grow along with them.

Challenges in Germany
In Germany, unfortunately, things have not gone as smoothly. For years, patient numbers in our Helios hospitals went in only one direction – up. But last year, they fell. Why? It took longer than we had hoped to fill job vacancies, which led to a personnel shortage that prevented us from treating as many patients as planned. That was one reason. Another was the trend toward more outpatient treatment. But rest assured that this decline will remain an exception. We have already taken effective measures – which I will tell you about in a moment.

First, though, there is something that I think is worth pointing out: Helios, despite these challenges, remains Germany’s leading hospital group. Helios leads in size – and it leads in quality!

Reorganization of the rehabilitation business
This brings me to another milestone. It involves our inpatient rehabilitation business. In 2018 we reorganized it, transferring 38 rehabilitation facilities in Germany from Helios to Vamed. This means Helios can now focus even more on acute care, as well as its continued internationalization. And Vamed? Now with a strong presence in Germany, along with its already existing operations in Austria, Switzerland, the Czech Republic and the United Kingdom, Vamed has become one of Europe’s leading providers of post-acute care.

2019: A year of investment
You can see that Fresenius is in very good shape. We are still growing. But success does not just happen by itself, and success does not just continue by itself. We must make it happen, and that is what we intend to do! 2019 will be a year of investment. We are not coasting on our success – to the contrary, we are shifting up a gear. We have already made very major investments. In research and development. In production. In our hospitals, and in the continued development of our business. So why are we significantly increasing these already very large
investments? So that we can achieve dynamic growth in the future, as well. To prepare Fresenius even better for the future. Here are some specific examples:

*Fresenius Medical Care: Investments in home dialysis*

At Fresenius Medical Care, we closed the acquisition of NxStage in late February. NxStage makes machines for home dialysis – a therapy carried out in the patient’s own home and not, as is customary, in a dialysis clinic. This therapy area is growing fast and we want to grow in it. Home dialysis – while not suitable for every patient – offers major benefits to those who can receive their therapy this way: Above all, increased flexibility and an accompanying improvement in quality of life. For this reason, we want to offer home dialysis on a large scale – and we are developing the essential infrastructure for it. Training centers, for example. Skilled and highly qualified employees. Logistics. And, of course, the machines themselves.

*Fresenius Kabi: Investments in all areas*

My second example: Fresenius Kabi, where we will be investing very broadly. That means in all our core businesses – generics, infusion solutions and clinical nutrition – and also in our new biosimilars business. In fact, we launched our first biosimilar on the market two weeks ago.

*Helios: Investments in expanded offering and additional services*

We have recently encountered headwinds at Helios, as I mentioned earlier. One cause is the trend toward outpatient care, to which we are responding. How? By significantly expanding our outpatient offering, for which we have established a new Helios division. We have also established a division for new business models such as video consultations with physicians, medical check-ups, faster and more convenient appointment scheduling, and occupational medicine that can be offered to other companies as a service. The digitalization of hospital processes will continue. In addition, we will develop centers for specific pathologies and disease patterns. The goal: To bundle knowledge, expertise and experience for specialized areas in one hospital. So that we can offer the best possible treatment – much better than could be offered in a typical hospital. For the benefit of our patients. And not least, Helios wants to hire 1,000 new care personnel, in order to provide optimal care for our patients. And to ensure that we never have to turn away patients, anywhere, because we do not have enough people to look after them.
Quirónsalud: Investments in innovative medicine

We are building a new hospital in Torréjon, just outside the Spanish capital Madrid. In the city itself we are developing Spain’s first center for proton beam therapy, a highly advanced method for treating cancer that is extremely precise. This means it also has significantly reduced side effects.

Vamed: Expansion of the rehabilitation business in Europe

At Fresenius Vamed, we will invest in the expansion of the European rehabilitation business, in particular. But the other areas of the business will also be expanded. These include the sterilization of medical instruments – a very important and sensitive area for hospitals. Without sterile instruments, surgeons cannot operate. We are now one of the leaders in this area in Germany, and intend to expand our position.

Short- and mid-term outlook

The thing about investments is, they cost money. Additional investments cost additional money. This weighs on our earnings, and we therefore do not expect them to increase in 2019 – at least not significantly. We anticipate earnings at about the same level as 2018, without accounting for currency fluctuations. But this should be a one-time standstill: After 2019 we expect a return to dynamic growth. Our forecast from 2020 to 2023: An average of 5 to 9 percent annually.

2019 will not be only a year of investment, but also another year of growth. That can be seen in our sales, which should climb 3 to 6 percent this year – and then somewhat faster. Here as well we can provide a concrete target for 2020 to 2023: An average of 4 to 7 percent per year.

An important point: This guidance is based entirely on organic growth, which means growth from our own strength. We can calculate in small- and mid-sized acquisitions, and then the expected growth rates are each about one percentage point higher.

I just mentioned small- and medium-sized acquisitions, but you are probably wondering, what about larger ones? The strategic ones, of which we have made a few over the years? I am certain there will be more large takeovers. They will continue to drive our successful development in the future, and continue to complement our organic growth. But when, exactly? I cannot say yet. Probably not this year; more likely from 2020. One thing is clear, though: We are ready.
When the right opportunity presents itself, we can move on it – and we will. From a position of strength, both in terms of finances and at the level of management. And we will proceed as we have done previously. Cautiously. Selectively. But also with the necessary boldness and an eye for opportunities.

A strong, diversified healthcare group
Another thing that will not change is our decentralized structure. It has proved its value. Our four business segments have also stood the test. Each one is on its own a strong and stable pillar of our success, and this will not change. However, we will work to reinforce and better connect the business segments, to make them an even stronger basis for future growth. But what do I mean by that?

We want to cooperate much more closely across our company. We have, as I mentioned, a decentralized organizational structure. That will continue. We put great weight on having independent and dynamic units, which bring us many advantages. The ability to move faster, for example. We want to continue benefiting from these advantages, but we know that a decentralized approach costs us synergies. It leaves potential untapped. Potential that we could use without losing speed. I am convinced of this. Which is why, on the Management Board, we are pushing very vigorously to better connect the business segments.

We have already taken some first, very promising steps in this direction. Let me give you a few examples.

Cooperating on entry into the North American infusion solutions market
Fresenius Kabi is a leading provider of infusion solutions in Europe, Asia and Latin America. But we are not present in this market in the United States. With the support of Fresenius Medical Care, that is going to change. Because Fresenius Medical Care already has large production and logistical capacities in the country that we intend to use – to the advantage of both companies. In this way we can keep production and logistics costs low, and simultaneously provide a fast, reliable supply of high-quality products.

Cooperating on the acquisition of Clinica Medellín
My second example is the acquisition by Quirónsalud of Clinica Medellín in Colombia. Fresenius Medical Care and Fresenius Kabi have operated successfully in this country for many years, which was a great advantage during negotiations. It will be an even greater
advantage during the integration: Fresenius Medical Care already operates a dialysis center in Clinica Medellín, and Fresenius Kabi is currently working with the company to establish a blood bank. We want to further expand this cooperation – and extend it to include Fresenius Vamed.

Cooperating in services for hospitals in Europe
Third example: Germany and Spain. In these two countries, Helios and Vamed are already working very closely together. On medical technology procurement. On hospital construction. And also on non-medical services – which include, for example, the technical operation of hospitals. Or the aforementioned sterilization of surgical and other instruments.

Our commitment: Ever better medicine for ever more people
Dear shareholders!

I’m coming to the end of my speech, and hope I have managed to give you a good overview. Of where we stand. Of where we’re going. I will summarize once again: 2018 was not an easy year, and yet it was a successful one. Fresenius is in very good shape. All indications point to continued, profitable growth.

What we do is more important than ever. The healthcare market is growing. People are living longer, and around the world the demand for high-quality medicine is rising. Needs and expectations are also changing: It is no longer about preserving lives, but about raising quality of life for people well into old age. It is also about keeping quality healthcare affordable.

These are big challenges! But challenges for which we are superbly positioned. Challenges that we are eager to take on. Challenges that we will take on – and meet. Because that is what we are really all about as a company, and what we have been doing for more than 100 years. It is our commitment: Ever better medicine. For ever more people.

That is what we want, and that is what we are offering – consistently. That is Fresenius, and that is the key to our success. When our patients do well, Fresenius does well. And then you, dear shareholders, also benefit.

Thank you very much!