

Business Development of Lab Products & Services

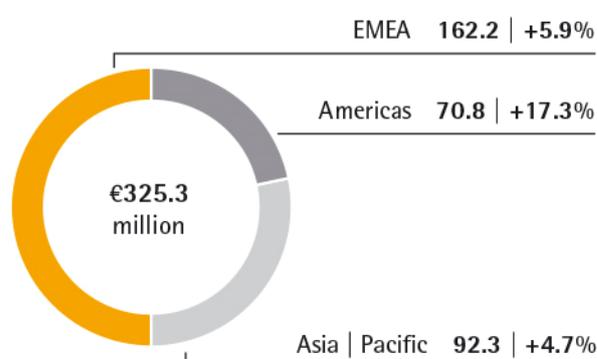
- > Positive business development continues
- > Strong demand especially for laboratory consumables
- > Expansion of the bioanalytics portfolio by the acquisition of IntelliCyt and ViroCyt

Key Figures

| € in millions | 2016 | 2015 | Δ in % |
|-------------------------|-------|-------|-------------------|
| Sales revenue | 325.3 | 305.5 | 7.9 ¹⁾ |
| Order intake | 328.1 | 302.8 | 9.9 ¹⁾ |
| Underlying EBITDA | 51.9 | 48.8 | 6.5 |
| as a % of sales | 16.0 | 16.0 | |
| Employees as of Dec. 31 | 2,327 | 2,155 | 8.0 |

Sales Revenue and Growth by Region¹⁾

€ in millions, unless otherwise specified



Products for Laboratories in Quality Assurance and Research



Laboratory balances for reliable and convenient weighing processes



Syringe filters for analytical sample preparation and sterile filtration



The lightest and smallest electronic pipette on the market



Innovative system for virus quantification



Filter membranes for microbiological testing in the lab



Cell screening platform that has already won several awards

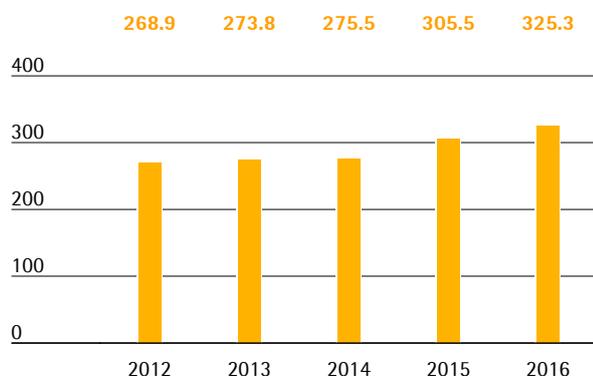
¹⁾ In constant currencies

Sales Revenue

In the reporting year, the Lab Products & Services Division showed positive development, with sales revenue up 7.9% to €325.3 million. Sales were thus within our forecast range that we had adjusted at the mid-year stage due to the acquisitions of IntelliCyt and ViroCyt. These acquisitions contributed around 3 percentage points to growth. Organic growth for the division was around 5% in fiscal 2016 driven by, inter alia, strong demand for consumables, such as lab filters and microbiological tests.

Sales Revenue 2012 to 2016

€ in millions



Sales Revenue and Order Intake

| € in millions | 2016 | 2015 | Δ in % reported | Δ in % cc |
|---------------|-------|-------|-----------------|-----------|
| Sales revenue | 325.3 | 305.5 | 6.5 | 7.9 |
| Order intake | 328.1 | 302.8 | 8.4 | 9.9 |

In EMEA, the region contributing the highest share of revenue of around 50%, the division achieved a 5.9% increase in sales, despite moderate economic growth in the reporting year, to €162.2 million. The Americas region, whose share of revenue rose to around 22%, reported the highest growth dynamics, recording a 17.3% increase in sales to €70.8 million. Besides an excellent organic performance, the acquisitions previously mentioned contributed above-average to the region's growth. The Asia | Pacific region, which accounts for a good 28% of business for the Lab Products & Services Division, reported an increase of 4.7% to €92.3 million against double-digit comparables a year ago.

Sales by region

| € in millions | 2016 | 2015 | Δ in % reported | Δ in % cc |
|----------------|-------|-------|-----------------|-----------|
| EMEA | 162.2 | 155.9 | 4.1 | 5.9 |
| Americas | 70.8 | 61.2 | 15.6 | 17.3 |
| Asia Pacific | 92.3 | 88.4 | 4.4 | 4.7 |

Earnings

The Lab Products & Services Division increased its underlying EBITDA in the reporting period by 6.5% from €48.8 million to €51.9 million. The division's corresponding margin was as forecasted at mid-year at 16%. The temporary dilutive effect on earnings related to the acquisitions of IntelliCyt and ViroCyt counteracted as expected positive economies of scale. Without this dilutive effect, the division's EBITDA margin in 2017 would have been about 1 percentage point higher.

Underlying EBITDA and EBITDA margin

| | 2016 | 2015 |
|---------------------------------|------|------|
| Underlying EBITDA in € millions | 51.9 | 48.8 |
| Underlying EBITDA margin in % | 16.0 | 16.0 |

The division recorded extraordinary items of - €10.6 million in the reporting year relative to - €4,5 million a year ago.

Products and Sales

The Lab Products & Services Division focuses on research and quality assurance laboratories, particularly in the pharmaceutical and biopharmaceutical sectors, as well as on academic research institutes.

Its product portfolio is used especially for sample preparation and other standard applications, and comprises laboratory instruments such as balances, pipettes and bioreactors along with consumables such as laboratory filters and microbiological tests. Extensive services complement the portfolio.

The division sells its products through three channels: laboratory dealers, direct sales and e-business. The dealer sales channel is well established; direct sales and the digital channels are being expanded continually.

New Products for Efficient Lab Work

In 2016, the division extended its products range for sample preparation. For instance, we introduced the new ultrapure water system arium mini. With its single-use bagtank system, it ideally fulfills lab requirements for consistently high water quality for reproducible results. Our new, syringeless filter system Claristep enables laboratory customers to remove particles easily and conveniently without a vacuum source or power supply.

Portfolio Expanded into Bioanalytics

During the reporting year, Sartorius expanded its laboratory business to include two innovative and complementary technologies. With the acquisition of the companies IntelliCyt and ViroCyt, the division has extended its bioanalytics offering and strengthened its position in particular with biopharmaceutical customers and life science research institutes.

IntelliCyt's award-winning cell analysis platform consists of instruments, software and reagents that are integrated to enable the generation of significantly more information on cell properties and reactions in less time than established technologies. This cell information represents an important basis for the development of new medications.

ViroCyt offers an automated system that integrates instruments, software and reagents for virus quantification applications. It delivers precise results much

faster than traditional methods for quantifying viruses and thus enables accelerated research and development in virology.

Both technologies acquired in fiscal 2016 dispose of strong unique selling points (USPs) and we believe they offer high growth potential.

Broad Range of Services

The Lab Products & Services Division offers a wide range of services covering the entire life cycle of laboratory products, from device installation and commissioning to verification, calibration, regular maintenance and repair. Our services are not limited to Sartorius instruments; they are offered for devices from other manufacturers as well. This extensive range enables our customers to minimize the number of service providers and thus reduce complexity and costs.

Wir application laboratories in all regions we offer our customers the opportunity to test our products, even with their own samples, and take training courses.

Continual Expansion of Direct Sales

Sartorius has a strong global market share in major product segments, but for historical reasons its market shares still vary by product group and region. This situation offers significant potential for growth in our view. The products added during the reporting year in the area of bioanalytics offer strong USPs, but are still in an early phase of market penetration. We plan to use our global sales platform to accelerate the penetration of these technologies across the global laboratory market.

The division has reorganized its distributor sales, and is continually expanding both its direct sales and its eBusiness platform to realize its organic growth potential.

Besides expanding our sales structures we also focus on ongoing improvements in sales efficiency. For example, a number of administrative duties have been moved to our inhouse sales, enabling our field sales force to focus more closely on contact with customers. In addition, account management was introduced for biopharmaceutical customers and large research institutes with high sales potential. The lab division is also benefiting from the strong customer access established with biopharmaceutical companies by the Bio-

process Solutions Division. Moreover, we nearly completed the implementation of a cross-divisional CRM system in Europe and America.

Moreover, as part of our direct sales activities, we are stepping up our involvement in scientific conferences and hosting our own events, such as the European Lab Technology Forum that Sartorius held for the first time in 2015 in Goettingen.

The ongoing expansion of our e-business is intended to help us reach customers not directly served by our sales organization, and to support our lab distributors logistically. Beyond merely fostering electronic sales, we aim to provide product information clearer and more extensively through electronic channels. Moreover, the lab division increasingly uses digital communication channels such as social media and apps that support dialog with customers. One example is the new marketing campaign #passionforscience. The web-based product information system we introduced in 2015 serves as a new platform for our e-business activities.

Research & Development

Within the scope of its laboratory business, Sartorius has extensive technological expertise in the area of weighing technology, liquid handling, software development for laboratory instruments, and laboratory consumables. During the year under review, we added a further technology focus in bioanalytics through acquisitions.

Most of the division's R&D takes place centrally at the Goettingen site, but additional R&D activities are pursued at our facilities in Helsinki, Stonehouse and Albuquerque.

Products and services from Sartorius help users make laboratory processes more productive, efficient as well as safer. Compliance with regulatory requirements is critical. Product development priorities for Sartorius therefore include data management, connectivity and process automation.

For example, special software routines already guide laboratory employees through work processes and transfer measurement and process data to laboratory management systems. Intuitive user interfaces in laboratory instruments enable safer and faster work.

The Lab Products & Services Division collaborates closely with industrial and academic technology partners in addition to pursuing its own R&D. In this context, we increasingly participate in scientific conferences and conduct own events.

Production and Supply Chain Management

The Lab Products & Services Division operates plants in Germany, China, Finland, the U.K. and the U.S. The plants serve as centers of competence and tend to focus on one product group or a small set of product groups. Laboratory balances are manufactured in Goettingen and Beijing, for example, while pipettes are made at our Helsinki and Souzhou sites. Microbiological tests kits are produced in Stonehouse, and most membrane-based products are manufactured in Goettingen.

New Production Facilities Completed

During the reporting year, the construction of two new production facilities was concluded on schedule, and production started.

Thus the laboratory instrument production facility in Goettingen was completed in summer 2016. The building combines two production sites that used to be operated separately. In addition, the calibration center, the prototype manufacturing unit and the training workshop were also brought together here.

In Stonehouse, the rising demand for laboratory consumables led us to expand capacity with the construction of a new production building. In addition to manufacturing a variety of single-use products such as filtration units and laboratory bioreactors, the site functions as a competence center for the manufacture of plastics.