

Business Development of Lab Products & Services

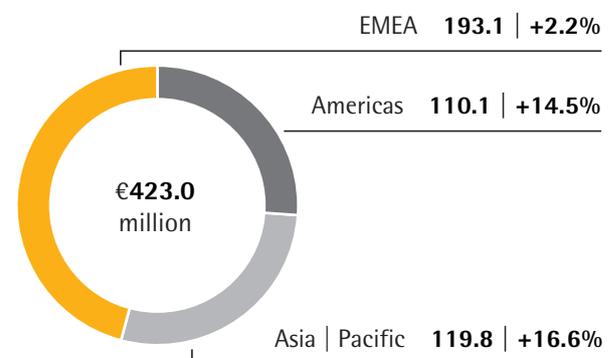
- > Growth below initial expectations following strong development in the prior year
- > Increase in sales revenue dampened by softer demand in Europe
- > Earnings margin increased due to economies of scale and product mix effects

Key Figures

€ in millions	2018	2017	Δ in %
Sales revenue	423.0	394.2	9.1 ¹⁾
Order intake	428.8	410.1	6.3 ¹⁾
Underlying EBITDA	78.1	70.8	10.4
as a % of sales	18.5	18.0	
Employees as of Dec.31	2,627	2,521	4.2

Sales Revenue and Growth¹⁾ by Region²⁾

€ in millions, unless otherwise specified



¹⁾ In constant currencies
²⁾ Acc. to customers' location

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



Real-time live-cell imaging system for cell analysis



Filter membranes for microbiological testing in the lab



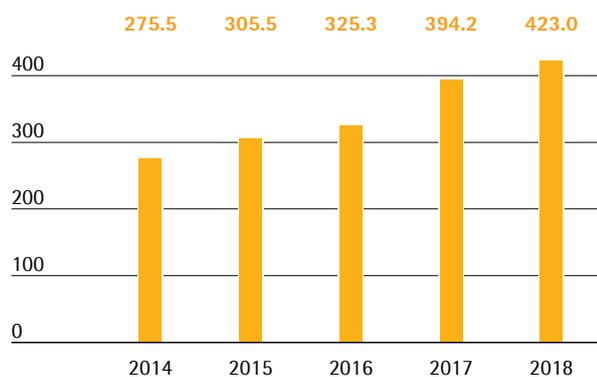
Cell screening platform that has already won several awards

Sales Revenue and Order Intake

After a satisfactory first half, development of the Lab Products & Services Division was dampened in the second half as a result of softer demand in Europe. Compared with the division's strong prior-year performance, sales revenue in constant currencies grew robustly by 9.1% (reported: +7.3) to €423.0 million, which was below original expectations, yet within the forecast revised downward upon release of nine-month figures. The division's portfolio expansion into bioanalytics by the acquisition of Essen BioScience at the end of March 2017 delivered around 2.5 percentage points of non-organic growth, as projected.

Sales Revenue 2014 to 2018

€ in millions



Sales Revenue and Order Intake

€ in millions	2018	2017	in % reported	in % cc
Sales revenue	423.0	394.2	7.3	9.1
Order intake	428.8	410.1	4.6	6.3

In EMEA, the region contributing the highest share of revenue of around 46%, the division achieved a slight increase in sales of 2.2% to €193.1 million in the reporting year despite the effects mentioned above and in comparison with the high prior-year revenue base. The Americas region, whose share of revenue rose to around 26%, grew very robustly by 14.5% to €110.1 million due to strong organic performance and the acquisition of Essen BioScience. The Asia | Pacific region, which accounts for a good 28% of business for the Lab Products & Services Division, also grew by double digits, by 16.6% to €119.8 million.

Order intake in the year under review rose on a reported basis by 4.6% in comparison with the very high previous year's level. In constant currencies, order intake was up 6.3% to €428.8 million.

Sales by Region

€ in millions	2018	2017	in % reported	in % cc
EMEA	193.1	190.7	1.2	2.2
Americas	110.1	98.4	11.9	14.5
Asia Pacific	119.8	105.2	13.9	16.6

Earnings

The Lab Products & Services Division increased its underlying EBITDA in the reporting period by 10.4% from €70.8 million a year ago to €78.1 million, which was due to economies of scale as well as effects contributed by its acquisition of Essen BioScience. Despite currency headwinds, the division's corresponding margin improved from 18.0% in the previous year to 18.5%.

Underlying EBITDA and EBITDA Margin

	2018	2017
Underlying EBITDA in € millions	78.1	70.8
Underlying EBITDA margin in %	18.5	18.0

The Lab Products & Services Division recorded extraordinary items of –€14.7 million in the reporting year relative to –€13.9 million a year ago.

Products and Sales

With its products, the Lab Products & Services Division focuses on research laboratories in the pharmaceutical and biopharmaceutical industries as well as academic research institutes.

In the area of bioanalytics, the division offers life-science customers innovative systems for cell analysis. They enable the time-intensive development of new substances to be greatly accelerated through the automation and digitalization of core steps in analysis.

Beyond this, the product range includes a broad array of premium laboratory instruments for sample preparation such as laboratory balances, pipettes and lab water systems, as well as consumables such as filters and microbiological tests. This Sartorius portfolio is tailored to the biopharmaceutical industry, but also to research and quality-assurance labs in the chemicals and food industries.

Range of Services and Test Laboratories in All Regions

The services offered by the Lab Products & Services Division cover 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 to a limited degree for devices from other manufacturers as well. This extensive range enables our customers to minimize the number of service providers they use and to reduce complexity and costs.

Our application laboratories in all regions offer customers the opportunity to test Sartorius products, even using their own samples, and to take training courses.

Additional Expansion of Sales Activities

The division sells its products through three channels: laboratory dealers, direct sales and e-business. The dealer sales channel is already well established; direct sales and the digital channels are being expanded continually with an increasing focus on life science customers.

Besides expanding our sales structures we also focus on ongoing improvements in sales efficiency, in part through the creation of synergies between the two divisions. With the acquisition of Essen BioScience in 2017, Sartorius strengthened its bioanalytics expertise in the Lab Products & Service Division and thus improved the company's positioning among

biopharmaceutical customers and life science research institutes. The Lab Products & Service Division thus also gains access to customers of the Bioprocess Solutions Division, and the latter can naturally likewise tap new sales opportunities in return.

Our bioanalytics products offer strong unique selling points, and our penetration of the laboratory market with our bioanalytics technologies should accelerate in 2019 through greater efficiency in the use of the global Sartorius sales platform and even greater development of direct sales. For this purpose, sales and business operations at Essen BioScience und Intellicyt were merged during the reporting year.

Product Development

The division has extensive technological expertise in the areas of bioanalytics, laboratory instruments and laboratory consumables. The product portfolio is expanded continuously to meet customer requirements through new and advanced developments in our own core technologies as well as the integration of new products through collaborations and acquisitions. Software and hardware advancements in our cell-analysis products create many new evaluation opportunities for our customers. They are the foundation for the development of new tools that can process and present large amounts of data usefully in the appropriate application. We expect that such software solutions will become increasingly important.

In the process, compliance with regulatory requirements is critical for our customers. Product development priorities for Sartorius therefore include data management, connectivity and process automation.

Most of the development for the Lab Products & Services Division is conducted at Group headquarters in Göttingen, but Sartorius also carries out development activities at its sites in Helsinki, Finland and Stonehouse, U.K. as well as Ann Arbor, Michigan and Albuquerque, New Mexico in the United States.

Production and Supply Chain Management

The Lab Products & Services Division operates plants in Germany, China, Finland, the U.K. and the U.S. These plants serve as centers of competence and tend to focus on one product group or a small set of product groups. In 2018, laboratory balances were manufactured in Göttingen and Beijing, China for example, and pipettes in Kajaani, Finland. The sites in Ann Arbor and Albuquerque manufacture bioanalytical systems; microbiological test kits are produced in Stonehouse and most membrane-based products in Göttingen.