Business Development of Lab Products & Services

Gains in sales revenue and earnings
Robust development in a partly challenging economic environment
Strong growth in the Americas region

Products for laboratories in quality control and research

- Lab balances and systems for lab water purification
- Innovative systems for automated cell analysis processes
- Solutions for microbiological quality control and laboratory filtration
- Electronic and mechanical pipettes for precise and error-free pipetting
Sales Revenue and Order Intake

In a partly challenging global economic environment, the Lab Products & Services Division showed a robust gain in sales revenue of 5.9% in constant currencies (reported: +7.5%) to €454.9 million. This development was within the expected forecast, which was specified upon release of the first-half 2019 figures and projected that sales growth would reach the lower range of 5% to 9%. Consolidation of Biological Industries as of mid-December 2019 did not contribute any material growth.

Sales Revenue 2015 to 2019

€ in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>305.5</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>325.3</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>394.2</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>423.0</td>
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<tr>
<td>2019</td>
<td>454.9</td>
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Order intake in the year under review increased by 7.3% on a reported basis. In constant currencies, it was up 5.7% to €460.3 million.

Sales by Region

€ in millions | 2019 | 2018 | in % reported | in % cc
--- | --- | --- | --- | ---
EMEA | 206.5 | 193.1 | 6.9 | 6.5
Americas | 125.0 | 110.1 | 13.6 | 10.4
Asia|Pacific | 123.3 | 119.8 | 2.9 | 0.8

Earnings

The Lab Products & Services Division increased its underlying EBITDA in the reporting period overproportionately relative to sales, by 14.0% to €89.0 million; the division’s respective margin that was positively impacted by the application of IFRS 16 was 19.6%, up from 18.5% in the previous year.

Underlying EBITDA and EBITDA Margin

<table>
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<tr>
<th>Year</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying EBITDA in € millions</td>
<td>89.0</td>
<td>78.1</td>
</tr>
<tr>
<td>Underlying EBITDA margin in %</td>
<td>19.6</td>
<td>18.5</td>
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The Lab Products & Services Division recorded extraordinary items of -€9.3 million in the reporting year relative to -€14.7 million a year ago.

In EMEA, the region contributing the highest share of revenue of around 45%, the division achieved a solid increase in sales of 6.5% to €206.5 million in the reporting year. The Americas region, whose share of revenue rose to around 28%, grew strongly again by double digits, 10.4%, to €125.0 million. Expansion in the Asia|Pacific region, which accounts for a good 27% of business for the Lab Products & Services Division, was dampened compared to a strong prior-year revenue base and due to a weaker economic environment. Sales in this region rose moderately by 0.8% to €123.3 million.
Products and Sales

The Lab Products & Services Division focuses with its products 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 microbiologic tests. This Sartorius portfolio is tailored to the biopharmaceutical industry, but also to research and quality-assurance labs in the chemicals and food industries.

In bioanalytics, Sartorius has launched a new version of its cell screening platform on the market. It can be used for the fully automated analysis of large quantities of samples and the generation of extensive sets of data. In addition, we introduced a basic model of an image-based cell analysis system and an improved system for fast virus quantification that can be used for quality checks and testing when producing vaccines.

During the reporting year, Sartorius introduced a new generation of its premium balances. They offer the greatest measurement accuracy and precision and are especially designed for R&D and analysis laboratories with particular quality requirements. In addition to hardware and software improvements to enhance data connectivity and flexibility, the Cubis II is the first balance that completely fulfills specific requirements of American and European regulatory authorities and thus simplifies and optimizes specific work processes for customers from regulated 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 therefore also gains access to customers of the Bioprocess Solutions Division, and the latter can naturally likewise tap new sales opportunities in return.

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.

An innovative pipetting system was developed as part of a cooperation and launched on the market by our partner during the reporting year. This system is based on the pipetting hardware from Sartorius that is networked with both a stand and a cloud-based software solution. The solution is intended to help users avoid application errors in laboratory practice and to improve the reproducibility and traceability of experiments.
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 2019, laboratory balances were manufactured in Göttingen and Beijing, 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.