

# Report of the Executive Board

## Dear Shareholders and Business Partners,

We are currently experiencing extraordinary times. The coronavirus pandemic has already lasted for more than a year, with far-reaching consequences for each and every one of us and societies across the globe. Our sector is facing major challenges posed by the pandemic and is making key contributions towards overcoming this situation. The scope of the efforts undertaken, the intensity of global collaboration and the speed of progress on coronavirus vaccines and Covid-19 medications is unprecedented: Some of our customers went from mapping the coronavirus genome to delivering vaccines to patients in only nine months so biopharma has really demonstrated what it is able to achieve when it cooperates on a global scale and focuses all its efforts on achieving a common goal. In the process, it has also rewritten some implicit rules by which it used to operate. And I am convinced that further important development potential will probably be the outcome of these efforts.

Sartorius is contributing directly to overcome this pandemic – we are therefore part of the solution. Each and every day, we deliver essential products and technologies to customers all over the world so they can develop and manufacture coronavirus vaccines and medications for Covid-19 treatment. At first, we focused on providing vaccine researchers with powerful tools to accelerate complex development cycles. Regarding production, we then worked very closely with our customers to develop high-performance and robust platforms for process-scale manufacturing of vaccines. The complexity of production is very high on account of the variety of vaccine types; for this reason, there are no standards out there to guide us in the right direction. Rather, the process layout must be adapted and optimized. Just as for the production of other vaccines and medications, we at Sartorius rely above all on our flexible and efficient single-use solutions that can be rapidly scaled up and then set up worldwide. Meanwhile, the stakes are high to enable manufacturers to produce record quantities of vaccines or even of antibodies for antiviral medications. To make it possible to achieve this enormous pace required, we work very closely and at all levels with our customers and suppliers.

This year underscores what also applies beyond the current pandemic: With our technologies, platform solutions and partnerships, we help to ensure that new scientific discoveries can be translated more quickly and efficiently into effective medications and that these become accessible to more people as a result. Therefore, our company's purpose most directly addresses the Sustainable Development Goal formulated by the United Nations called "Health and Wellbeing," placing it right at the center of our efforts.

In the past year, a major focus was on meeting the sharply growing needs of customers as quickly as possible and, as a result on ramping up production capacity. Still, an even higher priority was to ensure the safety of our employees at all our Group sites. We are thankful to report that we did not have any serious illnesses among our employees and that nobody was infected with coronavirus while at work. This was also due to the diligence of our Environmental Health & Safety team who quickly provided protective materials and implemented coronavirus testing and hygiene measures at all sites. My thanks go out to these team members for their prudent efforts.



Looking at our business results, in 2020 we closed the year with the strongest growth in the most recent history of our company in this very intensive and demanding environment. Sartorius grew in all its geographies, with this growth driven primarily by strong organic development and further by several acquisitions as well as additional pandemic-related demand. Sales revenue surged by around 30% to €2,336 million and thus far exceeded our original forecast of 10% to 13% issued at the beginning of the year. Underlying EBITDA, our Group's most important earnings indicator, also rose close to 40% to €692 million. The respective margin climbed to 29.6% and relevant net profit reached €299 million.

Both divisions contributed significant rates to sales revenue growth. The Bioprocess Solutions Division expanded at an exceptionally dynamic rate of a good 34% to €1,783 million. The division's underlying EBITDA of €576 million was significantly up from the prior-year figure, and the corresponding margin rose markedly to 32.3%. In 2020, the Lab Products&Services Division achieved a sales increase of around 18% to €553 million despite an extremely challenging economic environment in the first half, especially in China and the USA, due to the pandemic. The division's underlying EBITDA rose to €116 million; its respective margin reached 21.0%.

We are also pleased to report that we were again able to increase the number of our employees significantly, to now over 10,600, a gain of more than 1,600 people. This workforce includes around 440 new team members who joined us through acquisitions, and we also hired a substantial number of people particularly in manufacturing to cope with strong demand. As a company that continues to grow rapidly, we will continue our future drive to recruit new people who share our ambitions and values.

Beyond this, we were also able to complete key strategic acquisitions which, in particular, have strengthened our position in downstream processing, in production technologies for advanced therapeutics, and bioanalytics. In the latter field, the protein analysis business acquired from Danaher Corporation is an excellent strategic and operational fit with our Lab Products&Services Division. Along with two other companies acquired in the past years in the field of cell analysis, we now have a highly innovative and relevant product array for the discovery and development of active pharmaceutical ingredients in our portfolio.

Efficient downstream processing has remained a challenge in our industry for years, and Sartorius is committed to helping accelerate and simplify this crucial production step. Through the acquisitions of the chromatography systems and resins businesses from Danaher Corporation as well as the Slovenian purification specialist BIA Separations, we significantly expanded our chromatography portfolio for essential steps in the purification of biopharmaceuticals. At the same time, we have reinforced our positioning in new modalities, such as cell and gene therapies, which are likely to play a significant role in conquering a number of severe diseases and are currently the subject of hundreds of ongoing clinical trials. We are also pleased to welcome the WaterSep BioSeparations team to our company that provides hollow-fiber membrane devices and pre-sterilized assemblies for upstream and downstream bioprocessing applications.

In early 2021, we announced that we agreed to acquire the chromatography process equipment division of Novasep. This division of approximately 100 people specializes in resin-based batch and intensified chromatography systems, and its product portfolio would perfectly complement our existing chromatography offering. The proposed transaction is still subject to antitrust approvals and is expected to close during the first half of 2021.

Let's take a look at how our shares performed this year, which showed high volatility on the capital markets. The positive business performance of our Group resulted in a further rise in the valuation of Sartorius shares. Preference shares closed the year 2020 at €343.60 up around 80% from year-end 2019. Ordinary shares ended the trading year at around 97% higher, at €345.00. With respect to dividends, the Supervisory Board decided, based on the recommendation of the Executive Board, to submit a proposal to the Annual Shareholders' Meeting on March 26, 2021, to pay out €0.71 per preference share and €0.70 per ordinary share.

What can we expect of 2021? The pandemic is not yet over so protecting the health of our employees continues to be our top priority. In such an environment, even short-term forecasts are, of course, subject to increased uncertainty. Yet we are optimistic about our future and, from today's perspective, expect continuous strong growth for the current fiscal year and beyond. For 2021, we project sales revenue to increase by about 19% to 25% and regarding profitability, we forecast an underlying EBITDA margin of about 30.5%, up from 29.6% in 2020.

To support this growth, we have started to accelerate and extend the expansion of our production capacities very significantly in all geographies, the Americas, Europe, and Asia. We will also expand our presence with customers, particularly in China and the U.S., by setting up Customer Interaction Centers and invest in a very significant extension of our activities in South Korea. Therefore, our CAPEX ratio in 2021 is expected to be at a relatively high level of around 15%.

The integration of the above-mentioned acquisitions has progressed very well, and we continue to be interested in innovative companies that extend our offering by complementary products and technologies. In this context, we will also further invest in the rapidly evolving technology fields for the development and manufacture of cell and gene therapeutics and other next generation biopharmaceuticals, which can significantly change the biopharma industry in the long term. Helping customers digitalize their processes and making the most of their data will also remain on our agenda, and we will continue to leverage our partnerships for sourcing further innovation.

We increased our mid-range targets given the strong results we achieved in 2020 and the resulting higher relevant baseline values, as well as raised expectations of future organic growth potential. Accordingly, we now plan to double our consolidated sales revenue again to around €5 billion in the five-year period up to 2025. We intend to achieve this increase primarily through organic growth, as well as additionally by acquisitions, and now project that the Group's underlying EBITDA margin will rise to around 32% by 2025.

We will achieve these ambitious targets only with an outstanding team, just as we have done before. In 2020, a year that was a great challenge for all of us, both personally and professionally, Sartorius proved its team spirit and capabilities. We were able to successfully master the challenges thanks to the great commitment and flexibility of all our employees. In this special year, a considerable amount of extra work was done to ensure the stability of supply chains, maintain production, ramp up capacity, and intensively interact with customers. Therefore, a big thank you goes out to the entire international Sartorius team who did a fantastic job.

I would also like to thank you, our valued customers, business partners, and shareholders. Based on the trust you have placed in us – often throughout many years – you have contributed significantly to the positive development of Sartorius. We would be pleased if you would continue to accompany us in 2021 and beyond and share in the future success of our company.

Sincerely,



Dr. Joachim Kreuzburg  
CEO and Executive Board Chairman