

# Group Business Development

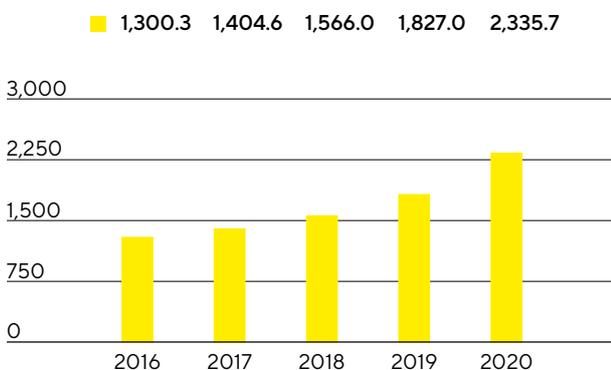
## Sales Revenue and Order Intake

In the reporting year, Sartorius grew at an exceptionally dynamic rate of 30.2% to €2,335.7million in constant currencies (reported: +27.8%). As a result, the Group exceeded the forecast given at the beginning of the year, which had projected an increase in consolidated sales revenue by 10% to 13% and had last been raised upon release of its nine-month figures, with this latter forecast projecting revenue to increase at the upper end of, or slightly above, the range of 22% to 26%. In addition to strong development of its core business, the Group's strong organic growth was fueled, inter alia, by orders in connection with coronavirus vaccines and Covid-19 therapeutics, as well as by inventory buildup by customers. The impact of all pandemic-related effects on consolidated growth was a good 8 percentage points. Initial consolidation of the most recent acquisitions contributed a good 7 percentage points.

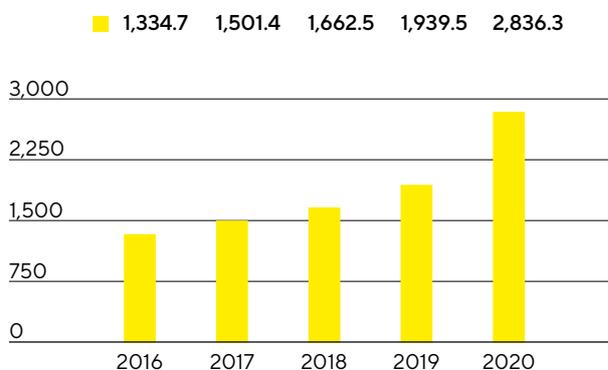
Order intake was influenced slightly more strongly by the pandemic than consolidated sales revenue and rose by 49.0% to €2,836.3million in constant currencies (reported: +46.2%), with pandemic effects accounting for close to 14 percentage points.

For a full comparison of the Group's business development with its forecast, see page 68.

**Sales Revenue 2016 to 2020**  
€ in millions



**Order Intake 2016 to 2020**  
€ in millions



### Sales Revenue and Order Intake

€ in millions	2020	2019	in % reported	in % cc <sup>1</sup>
Sales revenue	2,335.7	1,827.0	27.8	30.2
Order intake	2,836.3	1,939.5	46.2	49.0

<sup>1</sup> In constant currencies

## Significant Sales Growth in Both Divisions

Both divisions contributed significant rates to sales growth in the reporting year of 2020. The Bioprocess Solutions Division in particular expanded very strongly by 34.4% to €1,782.6 million in constant currencies (reported: +32.0%). In addition to vigorous organic growth across all product segments, which was impacted by pandemic-driven effects of around 12 percentage points, acquisitions accounted for close to 5 percentage points.

In a challenging economic environment, the Lab Products & Services Division that is more sensitive to economic cycles developed positively and achieved sales growth of 18.1% in constant currencies to €553.0 million (reported: +16.1%). While growth in the first half was quite dampened by the weak development of demand due to the pandemic, business markedly picked up toward the middle of the year, fueled by rebound and catch-up effects, and saw a strong final quarter. The net impact of various countervailing pandemic effects totaled approximately -1 percentage point, while acquisitions contributed around 15 percentage points to growth.

### Sales by Division

€ in millions	2020	2019 <sup>1</sup>	in % reported	in % cc
Bioprocess Solutions	1,782.6	1,350.5	32.0	34.4
Lab Products & Services	553.0	476.5	16.1	18.1

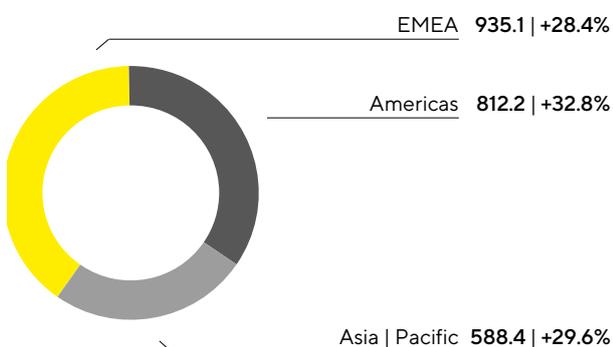
<sup>1</sup> Comparable period adjusted to reflect the reallocation of two small product segments

Further information on the business development of the Group divisions is given on pages 57 et seq. for the Bioprocess Solutions Division and on pages 67 et seq. for the Lab Products & Services Division.

## Gains in All Regions

### Sales Revenue and Growth<sup>1</sup> by Region<sup>2</sup>

€ in millions unless otherwise specified



<sup>1</sup> In constant currencies

<sup>2</sup> Acc. to customers' location

Sartorius increased its sales revenue in 2020 again by double digits in all geographies. Momentum was in part significantly above prior-year development, which was already good, and particularly EMEA and the Americas also benefited to a large extent from additional demand generated in connection with the development of

coronavirus vaccines and Covid-19 therapeutics. EMEA, the region contributing the highest share of around 40% to total sales, thus saw revenue rise sharply by 28.4% to €935.1million. Here, the Bioprocess Solutions Division achieved a gain of 33.8%, and growth for the Lab Products & Services Division was 14.7%.

Sales revenue in the Americas region also developed very dynamically against strong prior-year comparables, with sales up 32.8%, to €812.2million and its share of Group sales remaining constant at 35%. Not only the Bioprocess Solutions Division recorded significant growth again, at 33.7%, but also the Lab Products & Services Division markedly increased its regional sales revenue by 29.1%, considerably driven by the most recent acquisitions.

Business in the Asia|Pacific region, which accounted for around 25% of total Group revenue in 2020, saw high growth yet again, with sales up 29.6% to €588.4million. This increase was fueled by the dynamic surge of 36.5% in the Bioprocess Solutions Division against a revenue base that was already strong in the previous year. The Lab Products & Services Division, which grew only moderately particularly in the first half due to softer pandemic-related demand, increased its sales revenue by 13.4%.

All growth rates are in constant currencies unless otherwise stated.

#### Sales by Region

€ in millions	2020	2019	in % reported	in % cc
EMEA	935.1	733.4	27.5	28.4
Americas	812.2	629.9	28.9	32.8
Asia Pacific	588.4	463.7	26.9	29.6

## Costs and Earnings

In the reporting year, the cost of sales rose by 27.5% to €1,129.9million and the cost of sales ratio was 48.4%, nearly at the prior-year ratio of 48.5%.

The further cost items developed underproportionately with respect to sales revenue due to economies of scale and partly to the pandemic. Selling and distribution costs thus rose by 18.7% to €438.7million so the ratio of these costs to sales revenue decreased by around 1.5 percentage points from 20.2% in the previous year to 18.8%. Expenses for research and development rose by 13.4% to €108.4million. The ratio of R&D expenses to sales revenue was 4.6%, also slightly below the prior-year level of 5.2%. Regarding general administrative expenses, Sartorius reported an increase of 17.5% to €125.9million, and the administrative expense ratio in 2020 at 5.4% was somewhat below the year-earlier ratio of 5.9%.

The balance of other operating income and expenses was -€76.6million compared to the prior-year figure of -€33.1million and essentially covered extraordinary items of -€57.0million relative to -€28.5million in 2019. These extraordinary items consisted primarily of expenses in connection with the most recent acquisitions as well as of expenses for various cross-divisional projects, restructurings and rebranding.

EBIT rose at a significantly overproportionate rate relative to sales revenue, by 36.0% to €456.1million. The respective EBIT margin rose as a result from 18.4% to 19.5%.

The financial result was -€9.4million in 2020 relative to -€32.5million a year earlier. This figure includes income of €31.6million from the reporting date valuation of the share-based earn-out payments in connection with the acquisition of BIA Separations.

In the reporting year, tax expenses of €125.2 million were above the prior-year total of €84.4 million. The tax rate was 28.0% after 27.9% in the previous year. It should be noted that the valuation effect mentioned above will not result in any subsequent tax impact in the financial result for the reporting year. Adjustment would yield a tax rate of 30.2%.

Net profit for the period increased at a significantly overproportionate rate in relation to sales revenue, by 47.1% to €321.5 million (2019: €218.6 million).

Net profit attributable to shareholders of Sartorius AG surged 44.4% to €226.3 million in the reporting year, up from €156.7 million in 2019. Non-controlling interest stood at €95.2 million (previous year: €61.9 million), which essentially reflected shares in Sartorius Stedim Biotech S.A. not held by the Sartorius Group.

#### Statement of Profit or Loss

€ in millions	2020	2019	Δ in %
Sales revenue	2,335.7	1,827.0	27.8
Cost of sales	-1,129.9	-885.9	-27.5
<b>Gross profit on sales</b>	<b>1,205.8</b>	<b>941.1</b>	<b>28.1</b>
Selling and distribution costs	-438.7	-369.8	-18.7
Research and development costs	-108.4	-95.6	-13.4
General administrative expenses	-125.9	-107.2	-17.5
Other operating income and expenses	-76.6	-33.1	-131.6
<b>Earnings before interest and taxes (EBIT)</b>	<b>456.1</b>	<b>335.5</b>	<b>36.0</b>
Financial income	57.7	9.4	513.9
Financial expenses	-67.1	-41.9	-60.2
<b>Financial result</b>	<b>-9.4</b>	<b>-32.5</b>	<b>71.0</b>
<b>Profit before tax</b>	<b>446.7</b>	<b>303.0</b>	<b>47.4</b>
<b>Income taxes</b>	<b>-125.2</b>	<b>-84.4</b>	<b>-48.4</b>
<b>Net profit for the period</b>	<b>321.5</b>	<b>218.6</b>	<b>47.1</b>
Attributable to:			
Equity holders of Sartorius AG	226.3	156.7	44.4
Non-controlling interest	95.2	61.9	53.8

## Underlying EBITDA

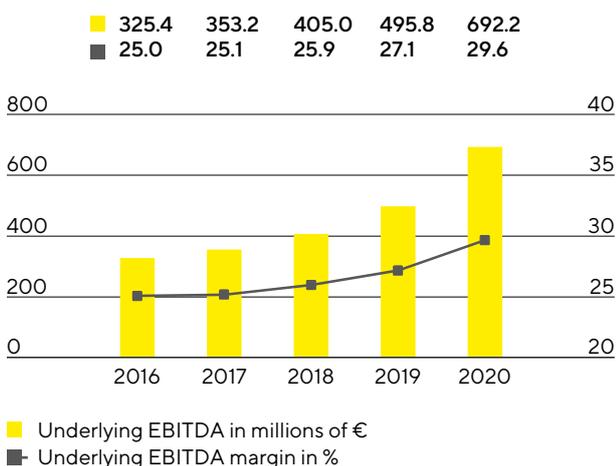
The Sartorius Group uses underlying EBITDA – earnings before interest, taxes, depreciation and amortization and adjusted for extraordinary items – as its key profitability indicator to provide a better picture of its operating development, also in an international comparison. More information on extraordinary items is provided on page 165.

### Reconciliation from EBIT to Underlying EBITDA

€ in millions	2020	2019
EBIT	456.1	335.5
Extraordinary items	57.0	28.5
Amortization   depreciation	179.1	131.9
Underlying EBITDA	692.2	495.8

In fiscal 2020, the Sartorius Group strongly increased its earnings. Underlying EBITDA thus showed a significantly overproportionate increase in relation to sales revenue, by 39.6% to €692.2million. The respective underlying EBITDA margin climbed to 29.6% (2019: 27.1%) and was therefore above the Group's forecast, which had been specified at 27.5% at the beginning of the reporting year and had been raised upon release of the nine-month figures in the same year to 29.5%. Considerable economies of scale in the Bioprocess Solutions Division played a primary role in this substantial increase in profitability, yet the underproportionate development of costs in some areas as a result of the pandemic also added to this effect. The most recent acquisitions had a slightly positive effect on the Group's earnings margin, while currency headwinds had a somewhat dilutive impact.

### Underlying EBITDA<sup>1</sup> and Margin



<sup>1</sup> Underlying = excluding extraordinary items

**Underlying EBITDA by Division**

	Underlying EBITDA € in millions	Underlying EBITDA margin in %
<b>Group</b>	<b>692.2</b>	<b>29.6</b>
Bioprocess Solutions	575.9	32.3
Lab Products & Services	116.3	21.0

In view of the corresponding customer groups and in order to optimize the sales structure, two business units were reallocated between the two divisions in the first quarter of 2020, which is why the previous year's figures were slightly adjusted at the division level. This did not result in any adjustments at the Group level.

Underlying EBITDA of the Bioprocess Solutions Division was €575.9million, significantly above the year-earlier figure of €393.1million by 46.5%. Due to economies of scale and the underproportionate cost increase related to the pandemic in some areas, the division's respective margin was substantially up year over year from 29.1% to 32.3%, with currency effects having a slightly negative impact. The most recent acquisitions had an overall neutral effect on the earnings margin.

In the Lab Products & Services Division, underlying EBITDA increased from €102.7million a year ago by 13.2% to €116.3million and its corresponding margin reached 21.0% (previous year: 21.6%) as it was affected in the first half of 2020 by weaker capacity utilization at some plants due to the pandemic. While currency effects had an insignificant impact on the profit margin, the most recent acquisitions had a positive impact, contributing a good 2 percentage points to the division's margin.

## Relevant Net Profit

The relevant net profit attributable to the shareholders of Sartorius AG rose sharply by 42.9% from €209.4 million in 2019 to €299.3 million in 2020. This figure is the basis for determining the profit to be appropriated and is calculated by adjusting for extraordinary items and eliminating non-cash amortization, and is based on the normalized financial result and the normalized tax rate. Underlying earnings per ordinary share soared 43.0% to €4.37, up from €3.06 a year earlier, and by 42.9% per preference share to €4.38, up from €3.07 a year ago.

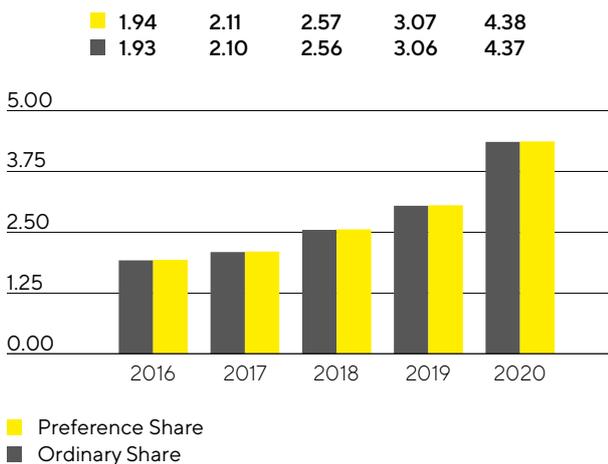
€ in millions	2020	2019
EBIT	456.1	335.5
Extraordinary items	57.0	28.5
Amortization	60.3	34.3
Normalized financial result <sup>1</sup>	-23.8	-16.6
Normalized income tax (27%) <sup>2</sup>	-148.4	-103.0
Underlying earnings	401.2	278.6
Non-controlling interest	-102.0	-69.2
Underlying earnings after taxes and non-controlling interest	299.3	209.4
Underlying earnings per share		
per ordinary share (in €)	4.37	3.06
per preference share (in €)	4.38	3.07

1 Financial result excluding fair value adjustments of hedging instruments and effects related to accounting of share-based earn-outs and non-periodic expenses and income.

2 Income tax considering the average group tax rate, based on the underlying profit before tax.

### Underlying Earnings per Share<sup>1</sup>

in €



1 After non-controlling interest, adjusted for extraordinary items and non-cash amortization, as well as based on the normalized financial result and the normalized tax rate.

Further information on earnings development and extraordinary items for the Group divisions is given on pages 57 et seq. and 67 et seq.

## Research and Development

Sartorius continuously expands its product portfolio by investing in both the new and further development of its products, as well as in the integration of new technologies through alliances. In 2020, the Sartorius Group spent €108.4million on R&D, corresponding to an increase of 13.4% over the previous year's investment of €95.6million. The ratio of R&D costs to sales revenue stood at 4.6%, slightly below the previous year's level of 5.2%.

The International Financial Reporting Standards (IFRS) require certain development costs to be capitalized on the statement of financial position and then to be amortized over subsequent years. In the reporting year, these development investments amounted to €43.6million compared with €40.1million the year before. This equates to a share of 28.7% (previous year: 29.5%) of the Group's total R&D expenses. Scheduled amortization related to capitalized development costs totaled €22.1million in 2020 (previous year: €11.9million). These expenses were disclosed in the cost of sales. The gross capital expenditure ratio at 6.5% was below the prior-year ratio of 7.4%; this ratio is even more meaningful for assessment of innovation-related expenses and includes capitalized development costs.

We pursue a strategic intellectual and industrial property rights policy across our divisions to protect our expertise. The Sartorius Group systematically monitors compliance with these rights on a cost | benefit basis to determine which specific individual rights are to be maintained.

In 2020, we filed a total of 273 applications for intellectual and industrial property rights (2019: 194). As a result of these applications, including those of prior years, we were issued 459 patents and trademarks during the reporting year (2019: 300). As of the reporting date, we had a total of 5,110 patents and trademarks in our portfolio (2019: 4,235).

Further information is provided in the sections covering the individual divisions on pages 57 et seq. and 67 et seq.

## Capital Expenditures

Against a backdrop of strong organic growth, Sartorius made above-average investments in new capacity over the past years. Several large expansion projects were completed in 2019. In the reporting year, the company further ramped up its production capacities at many sites due to exceptionally high demand. For this reason, capital expenditures of €240.3 million in 2020 were higher than originally planned (2019: €225.6 million). However, due to strong sales revenue growth the ratio of capital expenditures to sales revenue was 10.3% and therefore within the range of our guidance (2019: 12.3%).

At Group headquarters in Göttingen, Germany, laboratory areas for product development are currently being extended following large-scale expansion of production capacity at this location in previous years.

At the site in Yauco, Puerto Rico, Sartorius invested in production capacities for membranes. In 2019, manufacturing capacity for filters and aseptic bags had already been doubled when operations were started up at the expanded production facilities.

Due to strong growth in demand and order intake, bioprocessing capacities were also expanded in the reporting year at some additional sites. For instance, expansion projects were conducted in Germany, France, Israel, the U.K. and Tunisia. In the laboratory business, production capacities for pipette tips were ramped up in Finland.

Beyond these expansion projects, investments were made in the digital infrastructure of the Group. Among other things, a platform for the global standardization and management of HR processes was extended, and the company began to implement a new CRM system in the USA, which is to be rolled out in further regions in 2021.

## Employees

The numbers of employees reported include all staff members of the Sartorius Group, except for vocational trainees, interns, employees on extended leaves of absence and those participating in an early retirement plan. Numbers are reported as head counts.

As of the reporting date on December 31, 2020, the Sartorius Group employed 10,637 people in 35 countries, 1,601 or 17.7% more than in the previous year. This number includes the 447 employees who joined the Sartorius Group in the reporting year through acquisitions.

### Employees<sup>1</sup>

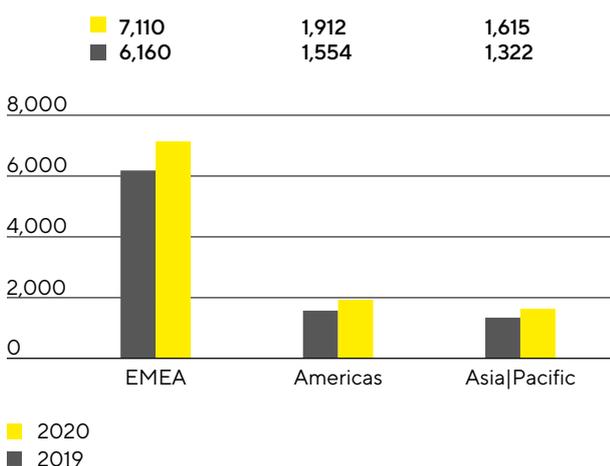
	2020	2019	Growth in %
<b>Group</b>	<b>10,637</b>	<b>9,036</b>	<b>17.7%</b>
Bioprocess Solutions	7,821	6,443	21.4%
Lab Products & Services	2,816	2,593	8.6%

<sup>1</sup> Prior-year numbers adjusted due to retrospective consolidation of subsidiaries and the changed allocation of production staff to the divisions.

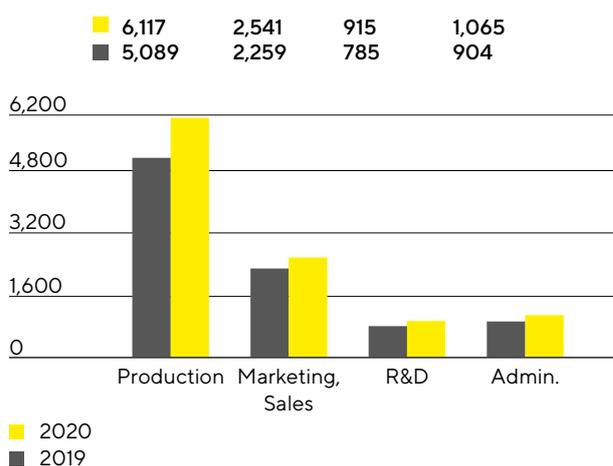
As of the end of the reporting year, the Bioprocess Solutions Division employed 7,821 people, up from 6,443 in 2019, and the Lab Products & Services Division 2,816 people, relative to 2,593 at year-end 2019.

Employees in central administrative functions were allocated to the divisions in proportion to cost of the services they performed during the year.

### Employees by Region



### Employees by Function



Head count in the EMEA region rose by 950 new people, a gain of 15.4%. In Germany, Sartorius employed 3,687 people as of the end of the reporting year, most at the Göttingen-based headquarters. This number corresponds to 34.7% of the total Group workforce.

The Americas region reported the highest increase in staff, 23.0% or 358 new people. The number of employees in the Asia | Pacific region grew by 22.2% or 293 people.

At the end of 2020, around 57% of all Sartorius employees worked in production. This head count includes production staff and employees in other areas such as technical services. The number of employees in this area was 6,117 or 20.2% more than in the prior year.

In marketing and sales, 2,541 people were employed at year-end, equating to an increase of 12.5% and to about 24% of the total Group workforce.

A good 9% of all employees worked in research and development in 2020, an increase of 130 people or 16.6% more than in a year earlier.

As of the reporting date, co-workers in administration numbered 1,065, a year-over-year increase of 17.8% in comparison to the prior-year period and more than 10% of all Sartorius staff.

For more information on employees, see the Non-Financial Group Statement starting on page 121.

# Net Worth and Financial Position

## Cash Flow

In the reporting year, Sartorius again significantly increased its cash flow from operating activities. This figure amounted to €511.5million relative to €377.2million a year ago, which equates to a rise of 35.6%. The development is essentially due to growth in earnings; moreover, the sale of additional €88.6million in trade receivables within the scope of a factoring program (sales in the previous year: €37.1million) had a positive effect. By contrast, growth-driven buildup of working capital had a dampening effect.

Cash outflows from investing activities increased in the reporting period by 9.3% to -€248,4million. These investments were for expansion of production capacities at numerous locations, including Yauco and the Group headquarters in Göttingen, Germany.

Due to expenditures of -€1,022.2million in connection with the most recent acquisitions, cash flow from investing activities and acquisitions|divestitures stood at -€1,270.5million relative to -€268.7million in the previous year.

Cash flow from financing activities of €907.5million (previous year: -€101.5million) was mostly attributed to financing of the acquisitions.

### Cash Flow Statement

#### Summary

€ in millions	2020	2019 <sup>1</sup>
Cash flow from operating activities	511.5	377.2
Cash flow from investing activities and acquisitions	-1,270.5	-268.7
Cash flow from financing activities	907.5	-101.5
Cash and cash equivalents	203.4	54.4
Gross debt	2,087.0	1,068.5
Net debt	1,883.6	1,014.0

<sup>1</sup> The figures for the reporting period 2019 were restated due to the finalization of the purchase price allocation for the acquisition of Biological Industries

## Consolidated Statement of Financial Position

The balance sheet total of the Sartorius Group was €4,697.3million as of the end of fiscal 2020 and thus €1,828.8million higher than the prior-year level. This increase is predominantly attributable to acquisitions. In addition to the extensive investment program continued in the reporting year, these acquisitions also had an essential impact on the increase in non-current assets, which grew by €1,469.2million to €3,486.8million.

Current assets increased by €359,6million to €1,210.6million, mainly because of the growth-driven buildup in working capital and the higher cash and cash equivalents increased in light of the pandemic to allow for risk aspects.

**Key Figures for Working Capital**

in days		2020	2019
<b>Days inventory outstanding</b>			
Inventories   Sales revenue <sup>1</sup>	x 360	83	80
<b>Days sales outstanding</b>			
Trade receivables   Sales revenue <sup>1</sup>	x 360	47	59
<b>Days payables outstanding</b>			
Trade payables   Sales revenue <sup>1</sup>	x 360	49	44
<b>Net working capital days</b>			
Net working capital <sup>2</sup>   Sales revenue <sup>1</sup>	x 360	81	96

<sup>1</sup> Including pro forma sales of recent acquisitions

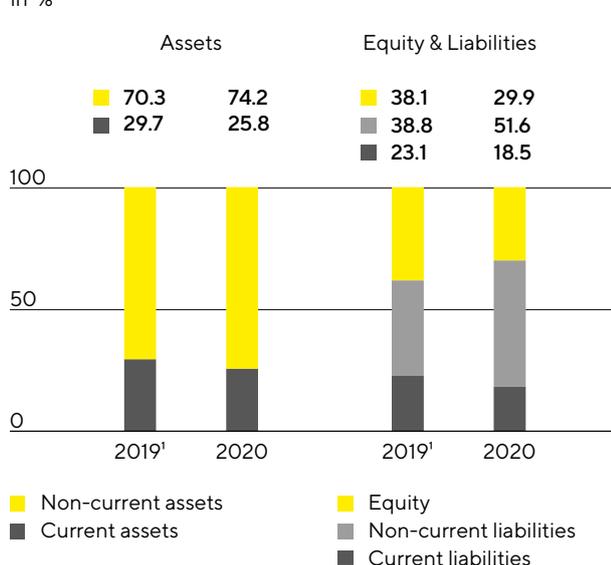
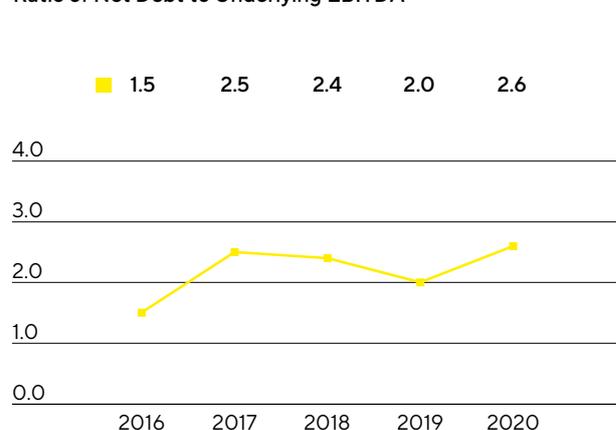
<sup>2</sup> Sum of inventories and trade receivables less the trade payables

Equity grew by €309.0 million to €1,402.2 million as of year-end. The equity ratio was 29.9% (previous year: 38.1%) and thus continued to remain at a very solid level even after closing of the acquisitions.

In the reporting year, current and non-current liabilities for the Sartorius Group of €3,295.1 million were higher than the previous year's figure of €1,775.4 million, which was primarily due to the acquisitions previously mentioned as well as additionally to the buildup in working capital.

**Balance Sheet Structure**

in %

**Ratio of Net Debt to Underlying EBITDA<sup>2</sup>**

<sup>1</sup> The figures for the reporting period 2019 were restated due to the finalization of the purchase price allocation for the acquisition of Biological Industries

<sup>2</sup> Quotient of net debt and underlying EBITDA over the past 12 months, including the pro forma amount contributed by acquisitions for this period

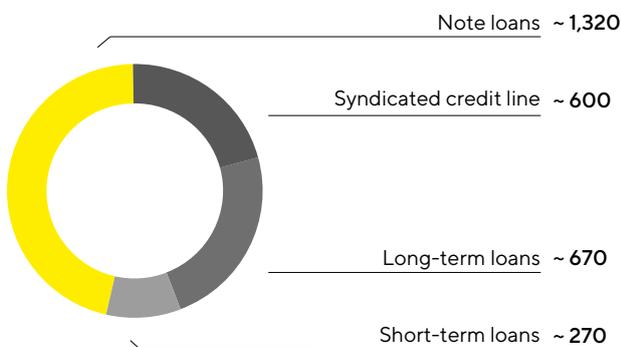
At the end of fiscal 2020, gross debt stood at €2,087.0 million relative to €1,068.5 million in fiscal 2019 and is comprised of liabilities to banks, including note loans ("Schuldscheindarlehen"), as well as lease liabilities. The year-over-year increase is essentially attributable to the most recent acquisitions, which were financed, among other means, by placement of a note loan. Net debt, defined as gross debt less cash and cash equivalents, rose from €1,014.0 million a year ago to €1,883.6 million.

In relation to the debt financing capacity of the Sartorius Group, the ratio of net debt to underlying EBITDA is a key metric. It is defined as the quotient of net debt and underlying EBITDA over the past 12 months, including the pro forma amount contributed by acquisitions for this period. This ratio was 2.6 as of December 31, 2020, above the prior-year figure of 2.0 due to financing of the most recent acquisitions, and was thus within the range of our forecast.

## Financing | Treasury

Sartorius covers its operational and strategic financing needs through a combination of operating cash flows and the assumption of short-, medium- and long-term financial liabilities. The major debt financing instruments are shown in the graphic below.

### Main Financing Instruments € in millions



A major pillar in our financing mix is a syndicated credit line with a term of three years and extension options; this credit line was refinanced in the reporting year and raised from €400 million to €600 million. In addition, Sartorius has diverse short-term credit lines totaling around €270 million. As of December 31, 2020, the total volume of all available credit lines amounted to €870 million of which around €10 million was used. Thus, the available credit unused as of the end of 2020 was €860 million.

In addition to the note loans ("Schuldscheindarlehen") that were placed in the years of 2012, 2016 and 2017 and were for a volume of around €570 million, the company's financing was supplemented in 2020 by a further note loan with a volume of €750 million and maturity terms of 3, 5, 7 and 10 years. Most of the funds was used for early repayment of the bridge loan that Sartorius had taken out at the end of April in connection with the acquisition of selected life science businesses from Danaher.

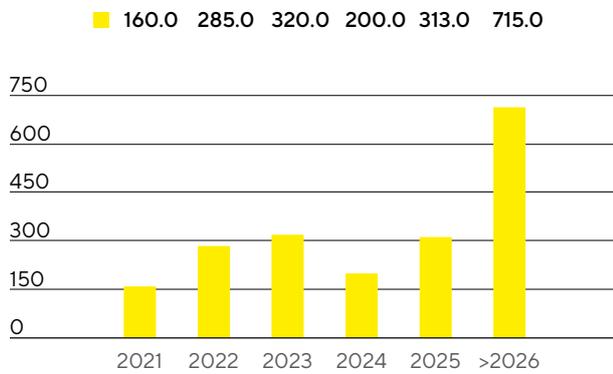
Moreover, the company has several long-term loans in place that total around €670 million and are being used in part for the expansion of production capacities.

The financing instruments mentioned above comprise those with both fixed and variable interest rates.

The maturity profile of the Group's financing instruments is broadly and appropriately diversified.

**Maturity Profile of the Financing Facilities<sup>1</sup>**

€ in millions



<sup>1</sup> As of December 31, 2020, major financing instruments

Due to its global business activities, Sartorius is exposed to the usual fluctuations in foreign exchange rates, which it partially hedges by forward contracts. At the end of 2020, foreign exchange contracts amounted to €257 million on a reported basis, with a market value of €13.4 million.