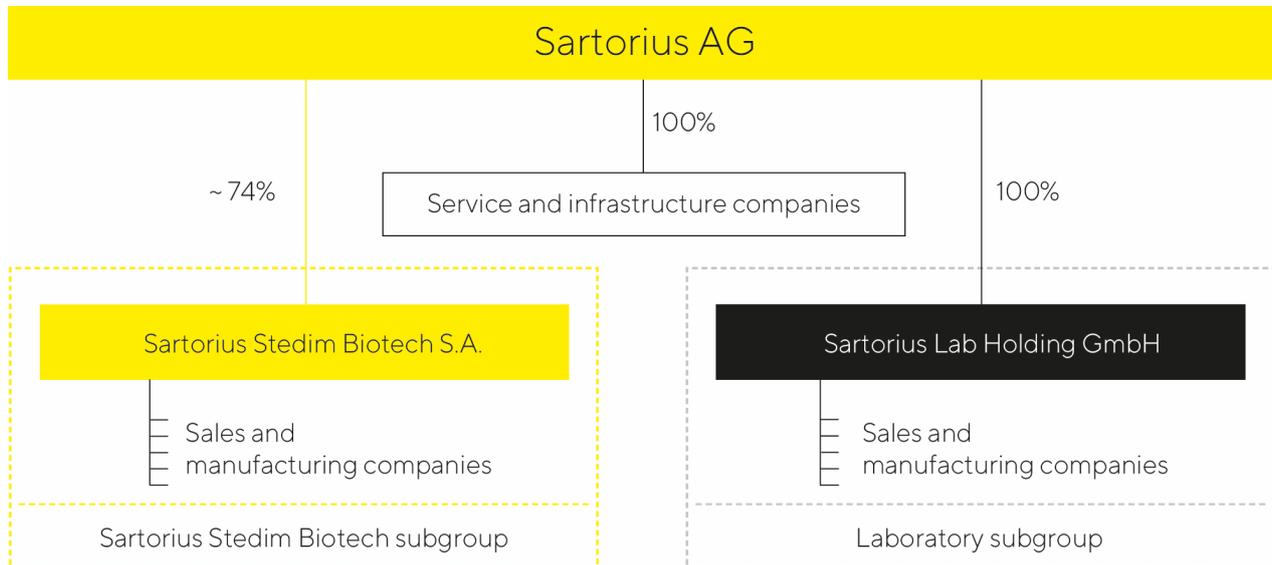




# Structure and Management of the Group



## Group Legal Structure

Sartorius is a globally operating company with subsidiaries in more than 30 countries. The holding company Sartorius AG is the parent corporation of the Sartorius Group. The corporation is headquartered in Göttingen, Germany, and is listed on the German Stock Exchange.

Sartorius manages its bioprocess business as a legally independent subgroup whose parent corporation is Sartorius Stedim Biotech S.A., which is listed on Euronext Paris. As of December 31, 2020, Sartorius AG held around 74% of the shares of Sartorius Stedim Biotech S.A. The Group's lab business is legally combined in a further subgroup whose parent company is Sartorius Lab Holding GmbH, in which Sartorius AG holds a 100% stake.

The consolidated financial statements include Sartorius AG and all major affiliates in which Sartorius AG has a controlling interest pursuant to IFRS 10.

## Organization and Management of the Group

The Group's central management entity is the Executive Board of Sartorius AG. In collaboration with the Supervisory Board, the Executive Board defines the Group's strategy, is responsible for the operational management of the Group and controls the distribution of resources within the organization.

The Sartorius Group conducts its operating business in two divisions: Bioprocess Solutions and Lab Products&Services. The divisions each combine their respective businesses for the same fields of application and user groups, and share part of the infrastructure and central services.

To align our business as closely as possible with our customers' needs, our organizational structure is tailored based on our two divisions. All operational functions such as Sales and Marketing and Production, including production-related functions, as well as Product Development, are organized by division. Administrative functions, support functions and the Corporate Research unit operate across divisions.

Implementing the Group's various strategies and projects at the local level is the responsibility of the national affiliates. The management bodies of the local companies run their organizations in accordance with the applicable statutory provisions, articles of association and rules of procedure and in keeping with the principles of corporate governance that apply throughout the Sartorius Group worldwide.

## Changes in the Group Portfolio

In the reporting year, Sartorius successfully closed the acquisition, announced in October 2019, of selected life science businesses from Danaher Corporation. The transaction was completed on April 30, 2020, after receiving the required regulatory approvals. The businesses acquired contributed around €105 million to Group sales in 2020 and cover various bioprocessing and laboratory technologies, which are complementary to the portfolio lineups of both divisions. Sartorius is thus extending its market position in bioanalytics as well as in the purification and filtration of medications manufactured using biotechnological methods. The company's broader offering will support customers even more comprehensively in the development of biotech medicines and vaccines, as well as in the safe and efficient production of such biopharmaceuticals. As a result of the acquisition, some 300 new employees joined the Sartorius Group: around 100 employees were assigned to the Bioprocess Solutions Division and 200 to the Lab Products & Services Division.

In addition, Sartorius through its subgroup Sartorius Stedim Biotech acquired the Slovenian purification specialist BIA Separations in November 2020. With sales revenue of around €25 million reported for 2020 and around 120 employees, BIA Separations develops and manufactures market-leading products for purification and analysis of large molecules, such as viruses, plasmids and mRNA, which are used in gene and cell therapies and other advanced therapies. BIA Separation's technology for manufacturing-scale purification is already used in the production of the first commercialized advanced therapeutics, and this company has a strong presence with new drug candidates that are still in the clinical trial pipeline. The business will be allocated to the Bioprocess Solutions Division.

In December 2020, Sartorius acquired the U.S. filtration expert WaterSep BioSeparations LLC through its subgroup Sartorius Stedim Biotech. WaterSep BioSeparations develops, manufactures and markets single-use and reusable hollow-fiber membrane devices and pre-sterilized assemblies for upstream and downstream biopharmaceutical applications. Headquartered in Marlborough, Massachusetts, USA, the company employs around 15 people and in 2020 earned sales revenue of around U.S. \$2.5 million.

## Financial Controlling and Key Performance Indicators

The Sartorius Group is managed using a number of key performance indicators, which are also decisive for the determination of the variable remuneration component for the Executive Board and managers.

A key management parameter that Sartorius uses to measure the development of its size is currency-adjusted growth of sales revenue, i.e., sales in constant currencies. The key profitability measure is EBITDA adjusted for extraordinary items, i.e., underlying EBITDA, and the corresponding margin.

With respect to the Sartorius Group's debt financing capacity, the key indicator is the ratio of net debt to underlying EBITDA for the last twelve months. Furthermore, the CAPEX ratio, i.e., capital expenditures in proportion to sales revenue, represents a key control parameter.

In addition, the following financial and non-financial indicators are reported on a regular basis:

- Order intake
- Relevant net profit | Earnings per share
- Annual net profit | Earnings per share
- Equity ratio
- Net working capital
- Net cash flow from operating activities
- Number of employees

The annual financial forecast that is published at the beginning of a fiscal year for the Group and the divisions refers, as a rule, to the development of sales revenue and of the underlying EBITDA margin. The expected CAPEX ratio, as well as a directional forecast for the ratio of net debt to underlying EBITDA, is additionally indicated for the Group.

Further non-financial indicators are disclosed in the non-financial statement.

# Business Model, Strategy and Goals

As a leading partner of life science research and the biopharmaceutical industry, Sartorius helps its customers in the development and manufacture of biotech medications and vaccines – from initial idea in the lab to commercial-scale production.

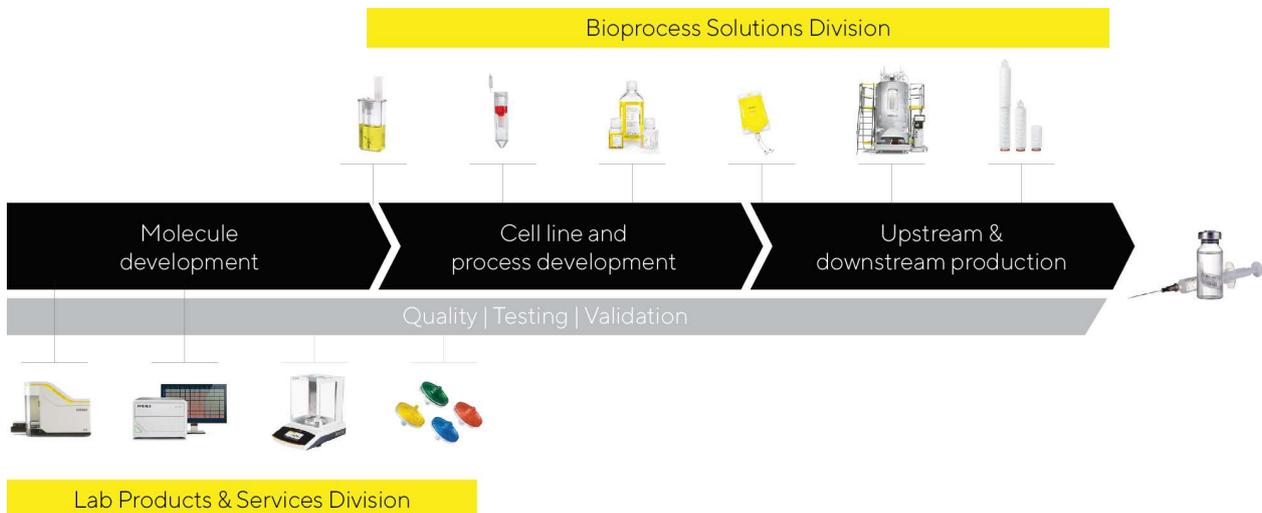
Biopharmaceuticals are integral components of advanced medicine and are used to treat many illnesses, mostly of a serious nature. However, long development times and complex production make these medications very expensive. This leads to high healthcare costs in industrialized countries and to the situation that patients in less developed countries are often excluded from treatment with such drugs. The development of a biopharmaceutical medication is a long haul: It takes more than ten years on average to bring a new drug out on the market, costing more than two billion dollars. On top of this, biotechnological manufacturing processes for such high-tech medications are demanding and must be developed individually for each biologic compound. As a pioneer and technology leader in the biopharma sector, Sartorius with its products and services is enabling its customers to make their research, development and production processes easier and more efficient so that advanced therapeutics can reach the market faster and become accessible for more people worldwide.

The maturity and intensity of competition in this still comparably young industry are successively increasing. To support customers in meeting this challenge, we are constantly further developing our portfolio. A key competitive advantage is our broad understanding of applications based on our clear focus on the sector. We are thoroughly familiar with the value-added chains of our customers and understand the interaction of the employed systems particularly well. A further important success factor of the company is to offer highly differentiating technologies. Our innovative power rests on three pillars: our own specialized product development, alliances with partners, and the integration of innovations through acquisitions.

With the biopharma industry, Sartorius is focusing on an attractive market, which is characterized by strong growth momentum and long-term trends. Medical progress provides positive impetus, leading to the discovery and approval of new biopharmaceuticals. The biopharmaceutical industry is thus increasingly relying on advanced therapies, such as cell and gene therapeutics and biotech tissue products. Further primary growth drivers are a growing world population and an increase in age-related diseases in industrialized countries. In addition, rising incomes in emerging countries are leading to improved access to healthcare and rising demand for medications. Biosimilars, the generic versions of reference biologics that have lost their patent protection, account for a share of the biopharma market that is currently still small, but especially fast-growing. As a result of these factors, the volumes of biotech medications and the demand for the appropriate production technologies are steadily increasing, with market growth largely independent of business cycles.

The Sartorius Group has organized its business in two divisions: Bioprocess Solutions and Lab Products & Services. We will outline the divisions' market positioning and strategy in the sections that follow.

## Strategic Focus on Biopharma Applications from Molecule Development to Production of Biopharmaceuticals



## Bioprocess Solutions

In the Bioprocess Solutions Division, Sartorius offers a broad portfolio of products that focuses on all major steps in the manufacture of a biopharmaceutical, as well as in process development as prerequisite procedures. Our technologies cover, inter alia, cell line technologies, cell culture media, bioreactors, and a wide range of products for separation, purification and concentration of biological intermediates and finished products, as well as solutions for their storage and transportation. Sartorius also offers data analytics software for modeling and optimizing processes of biopharmaceutical development and production. In its core technologies, the company has leading market positions with high double-digit market shares.

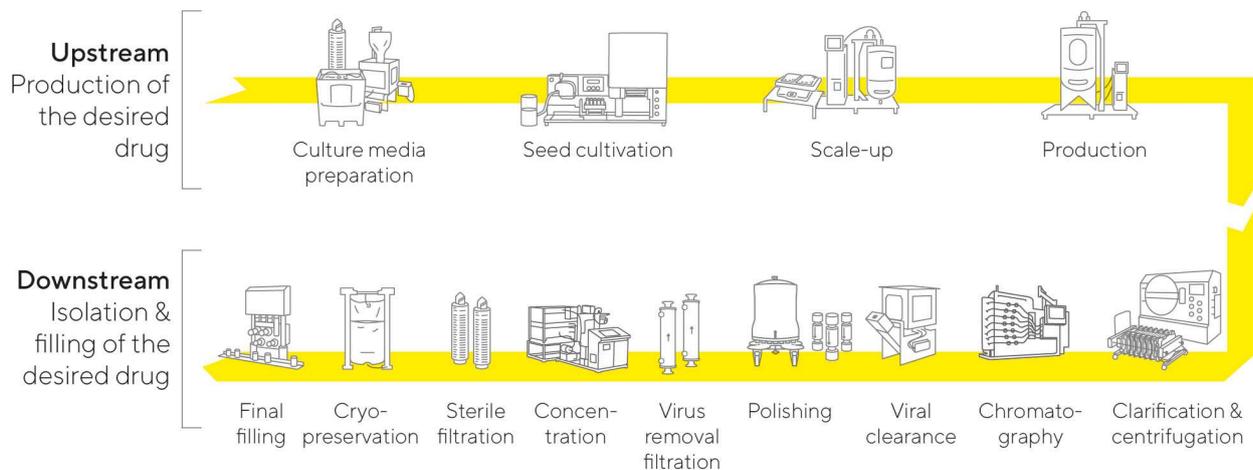
The breadth of our product portfolio, among other things, sets us apart from our competitors. We provide customers with complete process solutions from a single source, as well as assist with preceding project planning, process integration and subsequent validation. Our technologies are used in manufacturing all classes of medical drugs, from vaccines and monoclonal antibodies to advanced viral vector-based gene therapeutics.

Repeat business with sterile single-use products accounts for about three-quarters of the division's sales revenue. These products and technologies offer our customers cost advantages and flexibility compared with conventional processes employing reusable stainless steel components. The high share of recurring revenues is also bolstered by the strict approval requirements on the part of our customers. Because our customers' production processes must be validated by the health authorities responsible, the technological components initially used can be replaced only at considerable expense once they have been approved. The manufacturers of medications are therefore closely tied to the suppliers for the life cycle of a medication. Beyond this, our broad and stable customer base that we address through our specialized sales force directly for the most part also contributes to this favorable risk profile.

The division's strong strategic positioning and the above-average expansion of the sector are a good foundation for profitable growth in the future as well.

Information on the business development of this division is given in the chapter on Business Development of Bioprocess Solutions.

## Innovative Technologies for All Phases of Pharmaceutical Drug Production



Schematic illustration

## Lab Products & Services

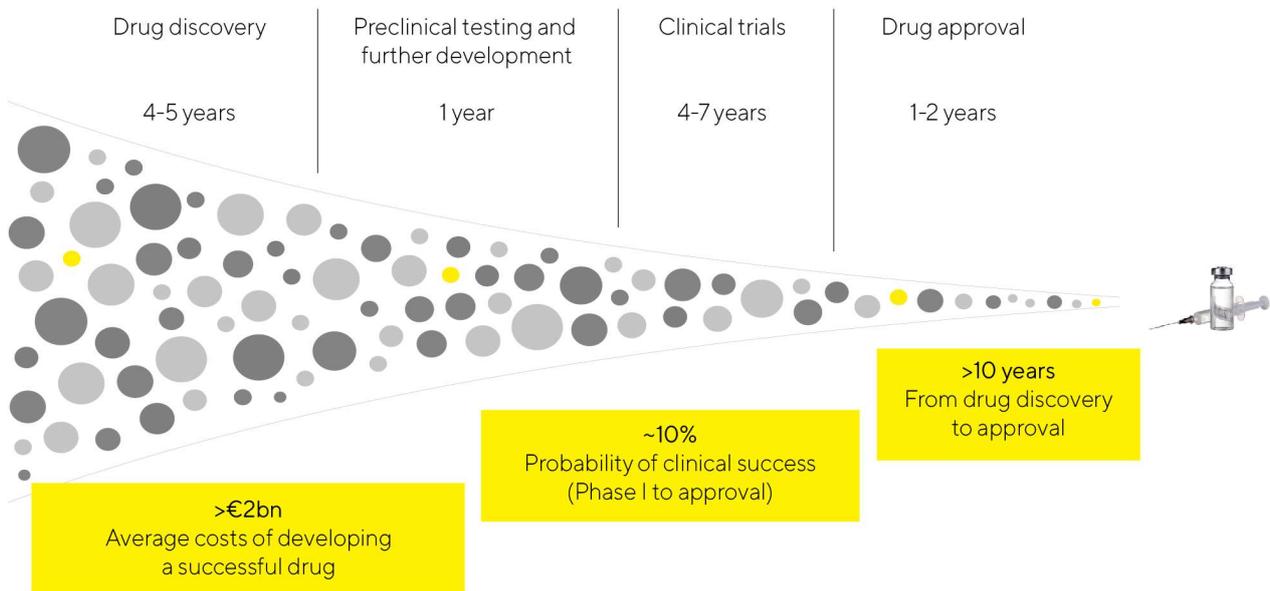
Over the past years, the Lab Products & Services Division has increasingly concentrated on the high-growth biopharmaceutical industry. With its products, the division addresses pharmaceutical and biotech research laboratories as well as academic research institutes. We supply scientists and laboratory staff with the instruments and consumables they need to make their research and quality control easier and faster. For example, we provide our life science customers with innovative systems for bioanalytics to enable them to automate key analytical steps in the development of molecules, cell lines and processes, steps which earlier were mostly carried out manually. In this way, considerably larger quantities of samples can be examined and extensive sets of data generated and evaluated within a short time, substantially accelerating the identification of suitable drug candidates or cell clones. This contributes toward accelerating the protracted timelines of drug development and increases the efficiency of R&D labs in the biopharmaceutical industry.

Beyond this, the division offers a wide range 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 test kits. In these product categories, Sartorius has leading market positions and significant market shares. Our solutions are designed to boost the efficiency and productivity of routine yet quality-critical lab processes and industry-specific workflows. Besides serving the needs of the biopharmaceutical industry, this portfolio is also tailored to quality control labs in the chemical and food industries.

With its innovative technology platforms for bioanalytics and its comprehensive portfolio for sample preparation, the Lab Products & Services Division has a strong foundation for further significant organic growth. Due to economies of scale and product mix effects, growth is projected to be accompanied by a continuous increase in profitability.

Information on the business development of this division in 2020 is provided in the chapter on Business Development of Lab Products & Services.

## We Focus on Solutions to Improve the Protracted, Expensive and Inefficient Process of Medical Drug Development



Based on the data of the Tufts Center for the Study of Drug Development and the Association of the British Pharmaceutical Industry

## Sartorius 2020 and 2025 Strategies

In 2012, Sartorius had presented its strategy and targets for profitable growth up to 2020 according to which sales revenue was projected to increase to around €2 billion at an underlying EBITDA margin of 26% to 27%. Sartorius considerably exceeded these targets with its sales revenue of €2,336 million and an underlying EBITDA margin of 29.6%.

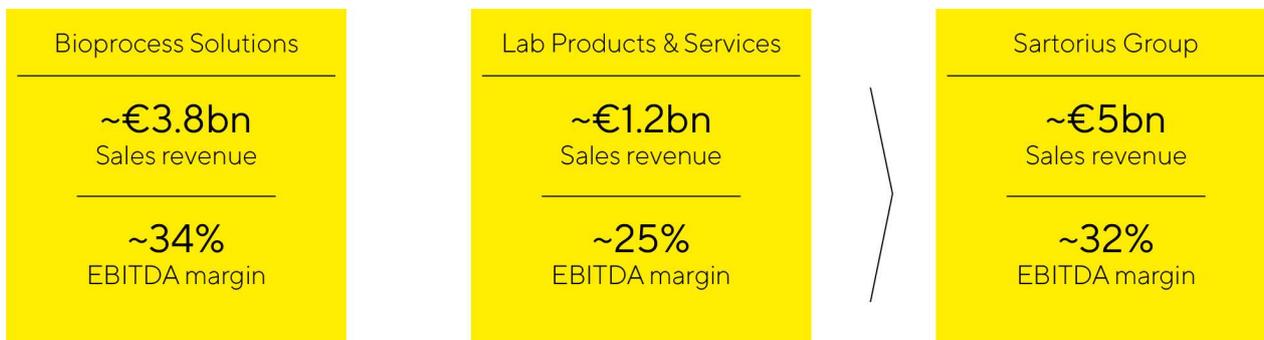
As early as 2018, management extended the projected time horizon of its outlook and announced its strategy and long-term targets for the period of 2020 to 2025. These aimed at achieving sales revenue of around €4 billion at an underlying EBITDA margin of around 28%. The targets for 2025 have now been updated and, in part, raised given the results achieved in the Bioprocess Solutions Division in 2020 and the resulting increase in the baseline values, as well as expectations of future organic growth in this segment.

Accordingly, Sartorius now plans to increase its consolidated sales revenue to about €5 billion in the five-year period up to 2025 (former target: around €4 billion). The company intends to achieve this increase in both divisions primarily through organic growth as well as additionally by acquisitions. The Group's underlying EBITDA margin is forecasted to rise to around 32% (former guidance: around 28%). For the Bioprocess Solutions Division, the company now projects sales revenue of around €3.8 billion (former guidance: approximately €2.8 billion), with an underlying EBITDA margin of around 34% (former guidance: around 30%). The outlook for the Lab Products & Services Division remains unchanged, with sales revenue forecasted at around €1.2 billion and an underlying EBITDA margin at about 25%.

These projections are based on the assumption that on average the margins of future acquisitions will initially be somewhat below and, after integration, at a level comparable with those of the Group's existing businesses, and that there will be no relevant changes in the key currency exchange rates.

Management points out that the dynamics and volatilities in the life science and biopharma sectors have increased over the past years and the coronavirus pandemic has further amplified this trend, so that multi-year forecasts show even higher uncertainties than usual.

### Sartorius 2025 Targets



2025 targets are based on 2017 currency rates; EBITDA excluding extraordinary items

These targets are being implemented by various growth initiatives with the following focal points:

## Expansion of the Product Portfolio

Sartorius has a broad product portfolio that is continuously expanded in line with the value-added chain of the biopharmaceutical industry. At the focus are products that offer solutions covering the needs of our customers and that make our offering even more attractive from the customers' perspective. Aside from our own research and development activities and strategic partnerships, acquisitions that are complementary to or extend our strengths appropriately will remain part of the portfolio strategy of both divisions. Due to high innovation dynamics, we consider further additions to be possible on an ongoing basis across the entire breadth of our product portfolio. When identifying suitable companies, Sartorius considers the following criteria in particular: Complementarity of technologies to its existing portfolio; strong market positioning, for example, through innovative products with unique selling propositions; integration capability; appropriate valuation; and growth and profitability profile.

## Regional Growth Initiatives

North America and Asia are the key focal areas of our regional growth strategy.

The USA is the world's largest market for bioprocess equipment and laboratory products. Yet because it is home to the main competitors for both company divisions, Sartorius formerly had lower market share in this region than in Europe and Asia. Over the past years, we have gained market share in the USA by strengthening our sales and service capacities and see further development potential.

A further strategic focus is on China. This market has sizable growth potential owing to rising private and public healthcare expenditures and the rapid development of regional biopharmaceutical plants. To benefit from the dynamic development of this market, Sartorius has already been investing heavily in the sales infrastructure of China and other Asian countries and plans to expand production capacity levels there over the medium term. This especially applies as well to South Korea that offers strong growth prospects in this region, given its dynamically growing biopharma market.

## Optimization of Work Processes

Sufficient production capacity and a powerful supply chain are an essential foundation of future growth. For this reason, in recent years Sartorius has substantially expanded its capacities for membranes, filters and aseptic bags at various Group sites in order to shorten delivery times and reliably maintain delivery capability even in the event of local transport restrictions. Beyond this, the company with its multidisciplinary team is working on the further optimization of its network of suppliers and partners to accommodate increasing customer requirements.

Sartorius is driving forward digitalization and automation in many areas to further accelerate and enhance processes and, wherever meaningful, to standardize such processes throughout the Group.

This also includes extending our activities in the areas of e-commerce, digital marketing and analytics.

# Research and Development

Sartorius conducts research and development in its two divisions as well as in Corporate Research, a functional area that operates Group-wide. A detailed explanation of our R&D focal points is given in the chapters about the divisions on pages 57 and 67.

Corporate Research works in close cooperation with external partners on overarching innovation projects. Its most important task and objective consists of identifying and developing key technologies and application fields of the future. In addition to collaborating closely with customers, research institutes and startups, Corporate Research pursues its own research activities in selected fields. These include, for instance, innovative technologies in live-cell analysis, materials with new functionalities and improved properties, and data analysis. Moreover, in the reporting year, Sartorius established a dedicated unit with Group-wide activities in the field of advanced therapies.

A further component attesting to the innovative capability of Sartorius are alliances and partnerships with research institutes. In 2020, Sartorius joined the group of shareholders of the German Research Center for Artificial Intelligence (DFKI). Sartorius and DFKI have already been working together for some time in a joint research laboratory on the development of future-focused tools and AI applications for the production of advanced medications. Currently, Sartorius and the DFKI are conducting research on deep learning algorithms and methods for image recognition of cells and organoids, analysis and modeling of biological systems, and for simulation and optimization of biopharmaceutical production processes. AI can unfold its powerful capabilities, above all in the accelerated development of more efficient medical drug manufacturing processes. In the medium term, Sartorius moreover sees the potential of using AI processes to develop active pharmaceutical ingredients faster and more cost-effectively than the time-consuming and cost-intensive trial-and-error processes that are common today, thus making new therapeutics available earlier and to more patients.

Accordingly, Sartorius is funding a new laboratory for AI-based cell analysis and an endowed junior professorship for computational cell analytics at the University of Göttingen. The objective is to utilize advances in this field to enable faster identification of disease mechanisms and accelerated development of medications, thus contributing to medical progress. Beyond this, Sartorius aims to promote translation of new research results into innovative, commercially usable technologies.

Furthermore, in the reporting year, Sartorius together with Evotec, a leading research and development company for active pharmaceutical ingredients, entered into a partnership with Curexsys GmbH that specializes in the emerging field of therapeutic exosomes. Curexsys delivers a proprietary isolation technology for exosomes based on a traceless immune-affinity process. Sartorius acquired a minority stake of about 21% in this company and will support the startup in setting up a production platform.