

Structure and Management of the Group

Group Legal Structure

Sartorius Stedim Biotech is a globally operating company with subsidiaries in more than 25 countries and more than 7,500 employees worldwide. The parent company of the Sartorius Stedim Biotech Group is Sartorius Stedim Biotech S.A., headquartered in Aubagne, France.

Sartorius Stedim Biotech S.A. is listed on the Euronext stock exchange in Paris. Approximately 74% of the share capital and around 85% of the voting rights of Sartorius Stedim Biotech S.A. are held by Sartorius AG.

Sartorius AG is an international leading partner of life science research and the biopharmaceutical industry and is headquartered in Göttingen, Germany. It is listed on the German Stock Exchange and operates two divisions: the bioprocess business as a subgroup under its parent corporation Sartorius Stedim Biotech S.A., and the laboratory business as a further subgroup.

The consolidated financial statements of the Sartorius Stedim Biotech Group include Sartorius Stedim Biotech S.A. and all affiliates in which Sartorius Stedim Biotech S.A. has a controlling interest pursuant to IFRS 10.

Organization and Management of the Group

The Sartorius Stedim Biotech Group is largely organized by function on a worldwide basis. Accordingly, the respective management responsibilities are performed along the company's core functions across all sites and regions.

This global functional organization forms an effective platform for central strategic control and for fast, efficient collaboration and execution within the Group. It enables the company to realize its total solutions provider strategy and position itself effectively in respect of global customers.

The Board of Directors of Sartorius Stedim Biotech S.A. is composed of eight members, one executive director and seven non-executive directors.

Implementing the Group's various strategies and initiatives at the local level is the responsibility of the national affiliates.

The management bodies of the local companies run their organizations in accordance with applicable statutory provisions, articles of association, and rules of procedure, and in keeping with the principles of corporate governance that apply throughout the Sartorius Stedim Biotech Group worldwide. Please see details of the Board of Directors in the section "Corporate Governance."

Changes in the Group Portfolio

Sartorius Stedim Biotech successfully closed the acquisition, announced in October 2019, of selected life science businesses of Danaher Corporation as part of a broader transaction between Danaher and Sartorius Group. The transaction was completed on April 30, 2020, after receiving the required regulatory approvals. The businesses acquired generated revenue of approximately U.S.\$ 100 million in 2019 and cover various bioprocessing technologies, which are complementary to the portfolio lineups. Sartorius Stedim Biotech is thus extending its market position in the purification and filtration of medications manufactured using biotechnological methods. The company's broader offering will support customers even more comprehensively in the safe and efficient production of such pharmaceuticals. As a result of the acquisition, some 100 new employees joined the Sartorius Stedim Biotech Group.

In addition, Sartorius Stedim Biotech acquired the Slovenian purification specialist BIA Separations. 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 has a strong presence with new drug candidates that are still in the clinical trial pipeline.

In December 2020, Sartorius Stedim Biotech acquired the U.S. filtration expert WaterSep BioSeparations LLC. 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 Stedim Biotech Group is managed using a number of key performance indicators, which are also decisive for determination of the variable remuneration component for the Executive Board and managers.

The key management parameter that Sartorius Stedim Biotech uses to measure the development of its size is currency-adjusted growth of sales revenue.

The key performance measure for profitability is EBITDA adjusted for extraordinary items, i.e. underlying EBITDA, and the corresponding margin. For a definition of this term and more information on its presentation, see the Glossary on page 246.

Regarding the debt financing capacity of the Sartorius Stedim Biotech Group, a further key indicator is the ratio of net debt to underlying EBITDA for the last twelve months.

Moreover, the capex ratio, i.e. investment payments relative to sales revenue, represents a key control parameter.

The following financial and non-financial indicators are also reported on a regular basis:

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

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

Business Model, Strategy and Goals

Market and Strategic Positioning

As a leading partner of the biopharmaceutical industry, Sartorius Stedim Biotech helps its customers to develop their production processes and manufacture biotech medications and vaccines more efficiently.

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 Stedim Biotech with its products and services is enabling its customers to make their 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 Stedim Biotech 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.

Products & Services

Sartorius Stedim Biotech 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 Stedim Biotech 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.

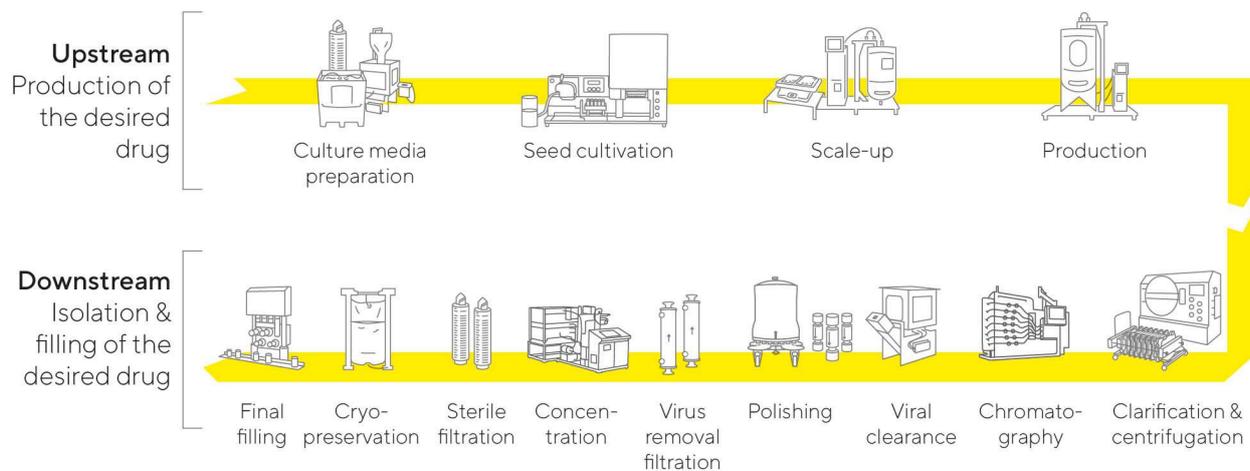
The breadth of our product portfolio, among other things, sets us apart from our competitors. We provide customers with complete process solutions from a single source, as well as assist with preceding project planning, process integration and subsequent validation. Our technologies are used in manufacturing 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 Group'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 strong strategic positioning and the above-average expansion of the sector are a good foundation for profitable growth in the future as well.

Technologies For the Entire Added-Value Chain in Biopharmaceutical Production



Schematic illustration

Sartorius Stedim Biotech 2020 and 2025 Strategies

In 2012, Sartorius Stedim Biotech had presented its strategy and targets for profitable growth up to 2020 according to which sales revenue was projected to increase to €1.5 to €1.6 billion at an underlying EBITDA margin of 29% to 30%. Sartorius Stedim Biotech considerably exceeded these targets with its sales revenue of €1,910 million and an underlying EBITDA margin of 31.7%.

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 €2.8 billion at an operating EBITDA margin of around 30%. The targets for 2025 have now been raised given the strong results achieved in 2020 and the resulting increase in the baseline values, as well as expectations of further organic growth. Accordingly, Sartorius Stedim Biotech now plans to increase its consolidated sales revenue to about €4 billion in the five-year period up to 2025. The company intends to achieve this increase primarily through organic growth as well as additionally by acquisitions. The Group's underlying EBITDA margin is forecasted to rise to around 33%.

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 usually.

Expansion of the Product Portfolio

Sartorius Stedim Biotech offers a broad product portfolio that is continuously expanded in line with the value-added chain of the biopharmaceutical industry. 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 our strategy. We see opportunities in digital networking of products, for example, in the integration of software solutions for bioprocess production control, among others. Expansion into adjacent applications, such as regenerative medicine, is also conceivable. The focus of our efforts will be products that offer solutions to the challenges our customers face and that make our offering even more attractive from the customers' perspective.

Regional Growth Initiatives

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

North America is the world's largest market for bioprocess equipment. Yet because it is home to our main competitors, Sartorius Stedim Biotech has lower market share in this region than in Europe and Asia. Accordingly, the company is striving to gain additional market share, primarily by strengthening its sales and service capacities.

A further strategic focus is on China. This market offers 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 Stedim Biotech has already been investing heavily in its sales infrastructure and plans to expand production capacity levels there over the medium term.

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 Stedim Biotech has substantially expanded its capacities for membranes, filters and single-use bags at various Group sites.

Following these significant infrastructural expansions, our focus is increasingly shifting to optimization of our processes. Thus, we are driving forward digitalization and process automation in all parts of the company to further enhance the performance power of our supply chain and our customer contact interfaces. This also includes extending our activities in the areas of e-commerce, digital marketing and analytics.