

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 11,900 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 for 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, two executive directors and six 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 Corporate Governance section.

Changes in the Group Portfolio

Sartorius Stedim Biotech expanded its product portfolio by making two acquisitions in the reporting year. In February 2022, Sartorius Stedim Biotech completed the acquisition of the chromatography process equipment division of Novasep with approximately 100 employees in France, the United States, China, and India. The acquired business, headquartered in the city of Pompey in eastern France, specializes in innovative resin-based intensified chromatography systems and complements the Group's existing chromatography offering.

The acquisition of 100% of the shares in Albumedix Ltd., which was completed at the end of September, strengthens Sartorius Stedim Biotech's portfolio of innovative solutions for the field of advanced therapies. Founded in 1984 and based in Nottingham, England, the company has more than 100 employees and is a leading provider of solutions based on recombinant human albumin, a key component in the manufacture of innovative biopharmaceuticals.

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 the determination of the variable remuneration component for the Board of Directors and managers.

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

For a definition of this term and more information on its presentation, see the Glossary on page 247.

With regard to the Sartorius Stedim Biotech Group's debt financing capacity, the ratio of net debt to underlying EBITDA serves as the key metric. It is calculated as the ratio of net debt to underlying EBITDA for the last twelve months, including the pro forma amount contributed by acquisitions for this period. Furthermore, the CAPEX ratio, i.e., capital expenditures in proportion to sales revenue, represents a key control parameter.

The following financial and nonfinancial 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
- Employee Net Promoter Score (ENPS)
- Reduction of CO₂ emission intensity

The Employee Net Promoter Score and the reduction in CO₂ emission intensity have been part of the compensation system for the executive members of the Board of Directors since 2022 and have therefore been newly included in this list.

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 the underlying EBITDA margin. The expected CAPEX ratio as well as a directional forecast for the ratio of net debt to underlying EBITDA are 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 euros. 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. Therefore, the United Nations' sustainability goal "Good Health and Well Being" is an integral component of Sartorius' business model.

The maturity and intensity of competition in this comparably young industry are successively increasing. To support customers in meeting this challenge, Sartorius Stedim Biotech is constantly developing its portfolio further. A key competitive advantage is the broad understanding of applications based on its clear focus on the sector. The company is thoroughly familiar with customers' value-added chains and understands the interaction of the employed systems particularly well. A further success factor of the company is to offer highly differentiating technologies. The innovative power rests on three pillars: the 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 that is characterized by strong growth momentum in view of long-term trends and significant innovative strength. 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

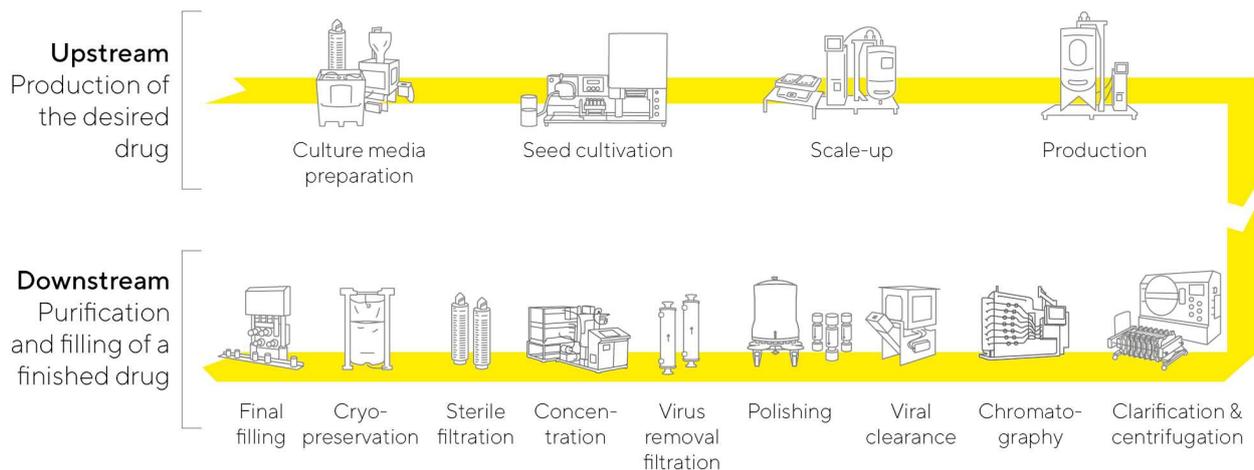
Sartorius Stedim Biotech offers a broad portfolio of products that focuses on all major steps in the manufacture of a biopharmaceutical, as well as in process development as prerequisite procedures. The product range includes cell lines, cell culture media, bioreactors, a wide range of products for the 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 the company's product portfolio is one of the key factors that differentiates it from its competitors. Sartorius Stedim Biotech can provide customers with complete process solutions from a single source, as well as assist with preceding project planning, process integration and subsequent validation. The company's products are used in the manufacture of 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 company's sales revenue. These offer customers cost advantages, flexibility, and less resource usage, and thus a better ecological footprint compared with conventional processes employing reusable stainless steel components. The high share of recurring revenues is also bolstered by the strict regulatory requirements on the part of the customers. Because health authorities validate production processes as an integral part of an application for approval of a new medical drug, the components initially validated can be replaced only at considerable expense once they have been approved. Beyond this, the company's broad and stable customer base that is primarily addressed directly through a specialized sales force 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 2025 Strategy

In 2018, management presented its strategy and long-term targets up to 2025. The consolidated sales revenue target was again significantly raised at the beginning of 2021 and so was the profitability target at the start of 2022. At the beginning of 2023, Sartorius Stedim Biotech confirmed its fundamental growth projections based on the unchanged strong fundamental growth trends in its markets and the resulting positive prospects for the company. In light of increased inflation and associated price adjustments, the company therefore made a mathematical adjustment to its medium-term sales revenue forecast and now expects sales revenue of around €4.4 billion in 2025 (previously around €4 billion). Sartorius Stedim Biotech plans to achieve this sales revenue increase primarily through organic growth and additionally by acquisitions.

The forecast for the Group's underlying EBITDA margin in 2025 remains unchanged at more than 35%.

The margin targets already include expenses for measures to reduce the company's CO₂ emission intensity. Sartorius Stedim Biotech aims to reduce its CO₂ emission intensity by around 10% annually on average until 2030, spending over time around 1% of its sales revenue annually for corresponding measures. Moreover, these projections assume that, on average, the margins of future acquisitions will initially be somewhat below the levels of the Group's existing businesses and, after integration, at levels comparable to these, 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 that the coronavirus pandemic has further amplified these trends. Moreover, the forecasts are based on the assumption of no deterioration in the geopolitical and global economic situation, supply chains, inflation and energy supply, and no new relevant restrictions in connection with the coronavirus pandemic. Accordingly, current forecasts show higher uncertainties than usual.

Expansion of the Product Portfolio

Sartorius Stedim Biotech has a broad product portfolio that is aligned with the value chain of the biopharma industry and which the company is continuously expanding. The focus is on products that offer solutions for customers' needs and make the company's offering even more attractive from the customer's perspective. Aside from its own research and development activities and strategic partnerships, acquisitions that are complementary to or extend the company's strengths appropriately will remain part of the portfolio strategy. Due to high innovation dynamics, the company considers further additions to be possible on an ongoing basis across the entire breadth of the product portfolio. When identifying suitable companies, Sartorius Stedim Biotech 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

Sartorius Stedim Biotech invested heavily in expanding its production capacity during the reporting year. Capital expenditures totaled approximately €430 million in 2022 and were used to expand sites in Germany, France, Puerto Rico, the USA, South Korea, and China, among other countries.

North America and Asia are the key focal areas of the regional growth strategy. The USA is the world's largest market for bioprocess equipment. Yet because it is home to the main competitors, Sartorius Stedim Biotech formerly had lower market share in this region than in Europe and Asia. By systematically strengthening its sales and service capacities, Sartorius Stedim Biotech has gained market share in the USA in recent years.

In Asia, one focus is on expanding production capacity in China, particularly for the Chinese market, which offers significant growth potential due to rising private and government health-care spending and the rapid establishment of regional biopharmaceutical plants. In South Korea, which offers excellent growth prospects with its dynamically expanding biopharma market, Sartorius Stedim Biotech started initial work to build a new production facility at the beginning of 2023.

Optimization of Work Processes

Sufficient production capacity and a powerful supply chain are an essential foundation of future growth. In recent years, Sartorius Stedim Biotech has substantially expanded its capacities for nearly all product groups at various Group sites in order to optimize delivery times and reliably maintain delivery capability even in the event of local transport restrictions.

Sartorius Stedim Biotech 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 the company's activities in the areas of e-commerce, digital marketing, and analytics, as well as on the topic of IT security.