Report of the Executive Board

Dear Shareholders and Business Partners,

Following three exceptional years from 2020 to 2022 that were impacted by the coronavirus pandemic and marked by very dynamic, but in some cases unsustainable growth, 2023 was also an extremely challenging fiscal year. The entire biopharmaceutical market was characterized by an overall expected normalization of demand, in addition to geopolitical tensions, which also affected Sartorius' business performance.

In 2023, for the first time in more than a decade, the Group's sales revenue fell to around 3.4 billion euros. That was mainly due to the after-effects of the pandemic, in particular the expected, but longer than initially anticipated, reduction in customer inventories throughout the life science sector. Sales revenue declined year over year by 16.6 percent in constant currencies, but increased by around 87 percent compared to 2019, the last year before the pandemic. In 2023, the Group's underlying EBITDA margin of just over 28 percent was below the high prior-year figure but still at a very respectable level and higher than before the pandemic.

In the Lab Products & Services division, pronounced market weakness in China and a strong reluctance to invest in the USA, impacted the business, while in the Bioprocess Solutions division the longer than expected reduction in inventories by customers and the discontinued business with Russian customers, as well as muted investment activity overall, were particularly noticeable. However, the order situation started picking up at the end of the third quarter, and we expect that this trend will gain traction, in particular in the second half of 2024.

After creating many new jobs at our sites around the world in recent years, we adjusted our headcount to around 14,600 by the end of December 2023, in line with our business development. The reduction resulted primarily from the expiry of fixed-term employment contracts and regular attrition. We have also systematically reduced costs in other areas and postponed some investments.

The demand normalization in the biopharmaceutical industry has had an impact on capital market valuations in the life science tools sector and therefore on the Sartorius shares price. After years of strong increases, the Sartorius preference share ended 2023 at a price of 333 euros, which corresponds to a decline of about 10 percent year over year. The Sartorius ordinary share closed 21 percent lower at 265 euros. To put this into perspective: Despite the decline, the market capitalization of Sartorius has increased more than 13-fold over the past ten years.

With regard to the dividend, the Supervisory Board followed the recommendation of the Executive Board to submit a proposal to the Annual General Meeting on March 28, 2024, to distribute a dividend of 0.73 euros per ordinary share and 0.74 euros per preference share, thus maintaining the payout ratio at the level of previous years.

After four years that were dominated by of significant extraordinary effects, we expect to now enter a phase that will be more strongly characterized by fundamental, very positive growth drivers. By 2050, the world's population will grow to more than 9.5 billion people, about 1.6 billion of whom will be over the age of 65 and have increased need for medical care. Novel medications, including above all new approaches in cell and gene therapy, have the ability to improve people's lives and fight diseases that are not yet curable or treatable. Innovative technologies are vital in increasing efficiency in the development and production of biopharmaceuticals and in making these promising approaches ready to use more swiftly. Given these robust and positive market trends, our investments in innovative technologies and our strong global footprint, we are very well positioned to continue playing a key role in this market in the long term while growing profitably.

Our broad product portfolio, ranging from bioanalytical instruments and bioreactors to cell culture media and reagents, helps our customers manufacture new therapeutics faster and more cost-effectively. With key technologies for the particularly dynamic segment of cell and gene therapy, we have established a comprehensive platform so to bring such highly innovative therapies to the market and thus to patients faster. Last year, we added the most important building block to this platform with the acquisition of Polyplus. Its transfection reagents are key to the efficient production of viral vectors and are used in many of these new innovative therapies. The first-time issue of bonds with a volume of 3 billion euros to finance the acquisition was oversubscribed multiple times and confirms the confidence of the capital markets in the company and its strategic course.

Furthermore, we continued our long-term investment program, for example by expanding our capacities at sites in Europe and the United States and starting construction of a new facility in South Korea. We have not only equipped the production and research infrastructure for further organic growth but have also invested in resilience in the face of geopolitical uncertainties, with the aim of continuing to fulfill the highest standards for customer delivery and product quality in all regions.

Based on the recovery in demand and the positive market outlook forecast by industry observers, we anticipate that sales revenue will increase by a mid to high single-digit percentage range in 2024. The profit margin is expected to be a little over 30 percent and the Capex ratio around 13 percent. We are working intensively on achieving further efficiency gains and ensuring a strong cash flow from operating activities in order to rapidly run down the elevated debt leverage following the Polyplus acquisition. At the beginning of February, we accelerated this deleveraging and created additional strategic flexibility through an equity raise totaling 1 billion euros at our French-listed subgroup Sartorius Stedim Biotech S.A. and, to a lesser extent, at Sartorius AG.

We want to continue our profitable expansion beyond 2024 and plan to keep on growing faster than the market. For the five-year period to 2028, we aim to achieve an average annual growth rate in the low teens range. The underlying EBITDA margin is expected to rise further, reaching around 34 percent in 2028.

In addition to our growth targets, we have set ourselves ambitious ecological targets that go far beyond our medium-term planning. By 2030, we intend to reduce our CO_2 emissions intensity by an average of around 10 percent per year, cut all avoidable direct and indirect emissions from purchased energy to zero, and obtain 100 percent of our electricity from renewable sources. Also, we aim to be climate-neutral by 2045 at the latest.

Last year's challenges were different from those during the pandemic, but no less demanding. Our employees once again did an extraordinary job and went many the extra mile. On behalf of the entire Executive Board, I would like to thank each and every one of them for their outstanding efforts over the past year. Special thanks go to the teams who kept up our production and deliveries to our customers in exceptional situations – for example at the Beit Haemek site in Israel.

And we want to particularly thank you, our valued customers, business partners, and shareholders, for the trust you have placed in us for many years. We are confident that we can continue our long-term, successful path together and would be delighted if you accompanied us in 2024 and beyond.

Sincerely,

Dr. Joachim Kreuzburg
Chief Executive Officer