Group Business Development

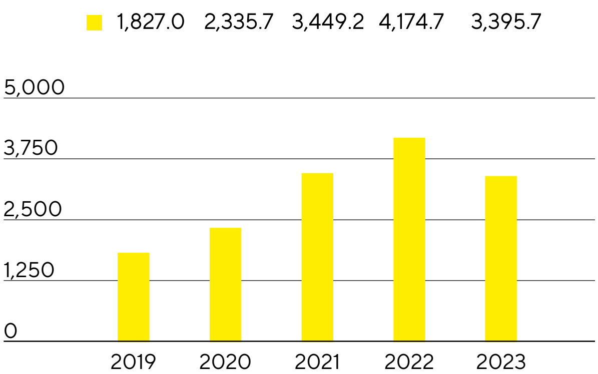
Sales Revenue and Order Intake

Following the strong additional growth momentum in the years 2020 to 2022 due to the pandemic-related extraordinary business and inventory buildup by customers, particularly in the Bioprocess Solutions division and to a lesser extent in the laboratory business, the temporary normalization of demand expected by the company management set in during the reporting year. This was more pronounced than anticipated at the beginning of the year, and the reduction in customer inventories also lasted longer than expected, which led to numerous forecast revisions across the entire life science sector. Business development was also impacted by a pronounced market weakness in China and the discontinuation of business with Russian customers. Against this backdrop, Group sales revenue fell by 16.6% in constant currencies[1] to €3,395.7 million; reported by -18.7%. This includes a growth contribution from acquisitions of around 1.5 percentage points[2]. Excluding the pandemic-related business, the decline in constant currencies was around 12%.

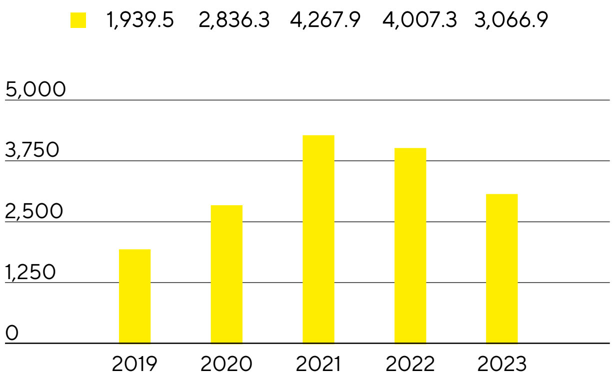
The temporarily weaker market environment was also reflected in order intake[3], which decreased by 21.5% in constant currencies to €3,066.9 million (reported: -23.5%). In line with progress made by customers in reducing their inventories, business began to recover at the end of the third quarter, resulting in order intake being slightly higher than sales revenue in both divisions and the Group in the fourth quarter.

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

Sales Revenue 2019 to 2023
€ in millions



Order Intake 2019 to 2023
€ in millions



Sales Revenue and Order Intake

€ in millions	2023	2022	in % reported	in % cc[2]
Sales revenue	3,395.7	4,174.7	-18.7	-16.6
Order intake	3,066.9	4,007.3	-23.5	-21.5

1 Figures given in constant currencies eliminate the impact of changes in exchange rates by applying the same exchange rate for the current and the previous period.
2 Organic: Organic growth figures exclude the impact from changes in exchange rates and changes in the scope of consolidation.
3 Order intake: All customer orders contractually concluded and booked during the respective reporting period.

Temporarily Muted Development in Both Divisions

Both divisions recorded a decline in sales revenue in fiscal 2023 due to the temporarily weaker market environment. In the Bioprocess Solutions division, which offers a wide array of innovative technologies for the manufacture of biopharmaceuticals and vaccines, sales revenue decreased by 17.6% in constant currencies to €2,678.2 million (reported: -19.5%). This includes about 2 percentage points of non-organic growth from acquisitions. Excluding the pandemic-related business, the decline was slightly above 12% in constant currencies.

Sales revenue in the Lab Products & Services division, which specializes in life science research and pharmaceutical laboratories, stood at €717.5 million, a decline of 12.7% in constant currencies (reported: -15.4%) compared to the high level of the prior-year period. Excluding the Covid-19-related business, sales revenue would have declined by slightly below 11% in constant currencies.

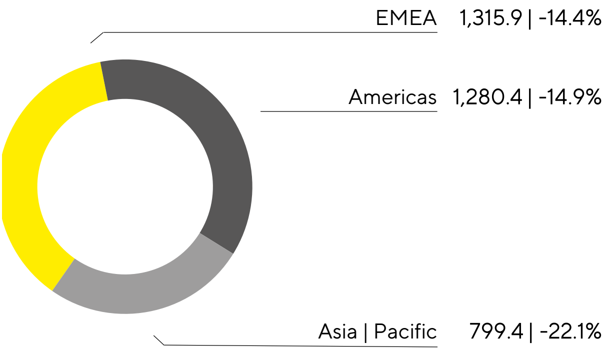
Sales by Division

€ in millions	2023	2022	in % reported	in % cc
Bioprocess Solutions	2,678.2	3,326.5	-19.5	-17.6
Lab Products & Services	717.5	848.2	-15.4	-12.7

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 62 et seq. for the Lab Products & Services Division.

General Market Weakness Affects All Business Regions

Sales Revenue and Growth[1] by Region[2]
€ in millions, unless otherwise specified



1 Constant currencies: Figures given in constant currencies eliminate the impact of changes in exchange rates by applying the same exchange rate for the current and the previous period.
2 Acc. to customer location.

In terms of regional development, sales revenue declined in all regions due to the normalization of demand and the pandemic-related high prior-year base. The EMEA region recorded a decline of 14.4% to €1,315.9 million, to which the discontinuation of business with Russian customers contributed around 3 percentage points. This region accounted for 39% of total Group sales at the end of the year. From a divisional perspective, sales in the Bioprocess Solutions division fell more sharply (-16.8%) than in the Lab Products & Services division (-4.1%) due to the extraordinary situation following the pandemic described above.

In the Americas region, sales amounted to €1,280.4 million (-14.9%), which corresponds to around 38% of total Group revenue. While the bioprocess division recorded a decline of 13.3%, primarily due to the reduction in inventories and lower investment activity by customers in the USA, the business volume in the laboratory division fell by 21.1% impacted by the reluctance to invest, particularly among pharmaceutical customers in the bioanalytical instruments product area.

The reduction in inventories by customers and the reluctance to invest and purchase were even more noticeable in China and led to a significant decline in sales. This development also had a significant impact on business in the Asia | Pacific region as a whole, which amounted to €799.4 million (-22.1%) and thus accounted for a good 23% of total Group revenue. Sales in the Bioprocess Solutions division fell by 25.1% and in the Lab Products & Services division by 12.4%.

All growth rates for the regional development are in constant currencies unless otherwise stated.

Sales by Region

€ in millions	2023	2022	in % reported	in % cc[2]
EMEA	1,315.9	1,550.6	−15.1	−14.4
Americas	1,280.4	1,543.8	−17.1	−14.9
Asia | Pacific	799.4	1,080.3	−26.0	−22.1

Costs and Earnings

The cost of sales fell by 8.4% to €1,828.6 million in the reporting year. The respective cost of sales ratio was 53.8%, compared to 47.8% in the previous year. The decline was mainly due to the lower business volume and negative product mix effects.

At €634.4 million, selling and distribution costs were slightly higher than in the previous year (€632.5 million), while the ratio of these costs to sales revenue increased year on year to 18.7% (previous year: 15.1%) in connection with the decline in sales. Research and development expenses fell by 4.7% to €170.8 million in the reporting year; the corresponding R&D ratio was 5.0% (previous year: 4.3%). Administrative expenses amounted to €214.3 million (previous year: €213.6 million), and the administrative expense ratio was 6.3% in 2023 (previous year: 5.1%). Extraordinary items explicitly attributable to the functional areas are reported in the respective functional area since the 2023 reporting year. The previous year's figures were restated accordingly.

Expenses and income that could not be allocated to a functional area were recognized in the balance of other operating income and expenses which amounted to -€43.7 million in 2023 after -€88.1 million in the previous year and included net expenses of -€16.4 million (previous year: -€51.0 million) from valuation effects and the realization of currency hedges, in particular due to the development of the U.S. dollar exchange rate.

EBIT fell by 52.7% year on year to €503.9 million; the corresponding margin was 14.8% (previous year: 25.5%). This development was mainly due to the decline in gross profit, which was only partially offset by a reduction in operating costs.

The financial result amounted to -€118.0 million in 2023, compared to €116.9 million in the previous year. This includes non-cash-effective income of €71.5 million, predominantly from the reporting date valuation of the share-based earn-out liability in connection with the acquisition of BIA Separations (previous year: €148.9 million). After adjustment for this effect, the increase in remaining net financing expenses resulted, among other things, from the increased debt in connection with the most recent acquisitions.

In the reporting year, tax expenses amounted to €95.9 million (previous year: €268.6 million). In relation to the reported earnings before taxes, the tax rate was 24.8% (previous year: 22.7%).

Net profit for the period fell by 68.2% to €290.0 million (previous year: €913.1 million).

Net profit attributable to shareholders of Sartorius AG was €205.2 million (-69.7%; previous year: €678.1 million). Non-controlling interest stood at €84.9 million (previous year: €235.0 million), which essentially reflected shares in Sartorius Stedim Biotech S.A. not held by the Sartorius Group.

Statement of Profit or Loss

€ in millions	2023	2022	Δ in %
Sales revenue	3,395.7	4,174.7	−18.7
Cost of sales	−1,828.6	−1,996.6	8.4
Gross profit on sales	1,567.1	2,178.1	−28.1
Selling and distribution costs	−634.4	−632.5	−0.3
Research and development costs	−170.8	−179.2	4.7
General administrative expenses	−214.3	−213.6	−0.4
Other operating income and expenses	−43.7	−88.1	50.4
Earnings before interest and taxes (EBIT)	503.9	1,064.8	−52.7
Financial income	103.9	198.2	−47.6
Financial expenses	−221.8	−81.3	−172.8
Financial result	−118.0	116.9	−200.9
Profit before tax	385.9	1,181.7	−67.3
Income taxes	−95.9	−268.6	64.3
Net profit for the period	290.0	913.1	−68.2
Attributable to:			
Equity holders of Sartorius AG	205.2	678.1	−69.7
Non-controlling interest	84.9	235.0	−63.9

Extraordinary items are reported within functional expenses as of fiscal 2023. Prior-year figures were restated accordingly.

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 190.

Reconciliation from EBIT to Underlying EBITDA

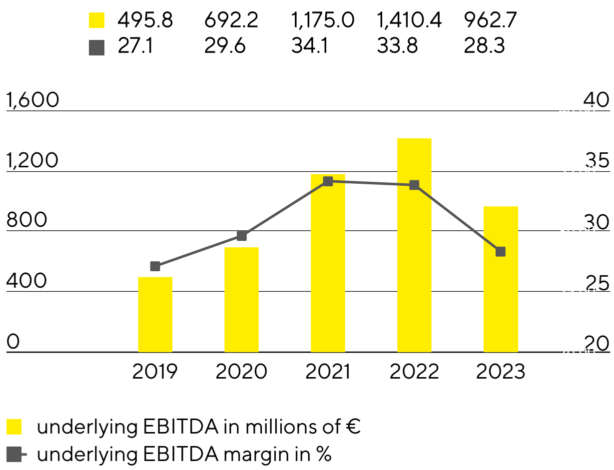
€ in millions	2023	2022
EBIT	503.9	1,064.8
Extraordinary items	116.5	60.4
Amortization | depreciation	342.3	285.3
Underlying EBITDA	962.7	1,410.4

Extraordinary Items

In millions of €	2023	2022
M&A projects | integration costs	-22.9	-16.1
Structuring measures	-80.5	-29.6
Other	-13.1	-14.7
Total	-116.5	-60.4

Mainly as a result of the lower volume development, underlying EBITDA decreased by 31.7% to €962.7 million; the resulting margin was 28.3% (previous year: 33.8%). Negative product mix effects also had a dampening effect, as the reduction in inventories on the customer side particularly affected demand for higher-margin consumables and led to a lower share of such products in total sales. Price effects on the procurement and customer sides largely offset each other.

Underlying EBITDA[1] and Margin



1 Underlying EBITDA: Earnings before interest, taxes, depreciation, and amortization and adjusted for extraordinary items.

Underlying EBITDA by Division

	Underlying EBITDA € in millions	Underlying EBITDA margin in %
Group	962.7	28.3
Bioprocess Solutions	782.3	29.2
Lab Products & Services	180.3	25.1

Underlying EBITDA of the Bioprocess Solutions division amounted to €782.3 million (-34.2%) as a result of the volume development and product mix effects, resulting in a margin of 29.2% (previous year: 35.7%).

Underlying EBITDA of the Lab Products & Services division fell by 18.8% to €180.3 million. At 25.1%, the corresponding margin was moderately below the previous year's figure of 26.2%.

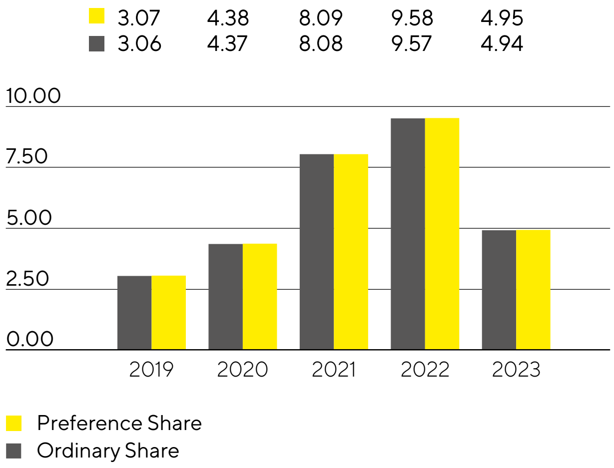
Relevant Net Profit

The relevant net profit attributable to the shareholders of Sartorius AG fell by 48.3% to €338.5 million compared to the previous year. This figure is the basis for determining the profit to be appropriated, is calculated by adjusting for extraordinary items and eliminating amortization, and is based on the normalized financial result and the normalized tax rate. Underlying earnings per ordinary share decreased by 48.4% to €4.94 (previous year: €9.57) and per preference share by 48.3% to €4.95 (previous year: €9.58).

€ in millions	2023	2022
EBIT	503.9	1,064.8
Extraordinary items	116.5	60.4
Amortization	133.5	104.5
Normalized financial result[1]	−146.3	−38.7
Normalized income tax (27%)[2]	−164.0	−321.6
Underlying earnings	443.5	869.4
Non-controlling interest	−105.0	−214.0
Underlying earnings after taxes and non-controlling interest	338.5	655.4
Underlying earnings per share		
per ordinary share (in €)	4.94	9.57
per preference share (in €)	4.95	9.58

1 Financial result adjusted for valuation effects from the subsequent measurement of contingent purchase price liabilities as well as for effects of foreign currency translation and hedging.
2 Income tax considering the average expected Group tax rate, based on the underlying profit before tax.

Underlying Earnings per Share[1]
in €



1 After non-controlling interest, adjusted for extraordinary items and 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 59 et seq. and 64 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 2023, the company recognized €170.8 million for research and development (R&D) as a direct expense compared to €179.2 million in the previous year (-4.7%). The R&D ratio of expenses to sales revenue was 5.0% (previous year: 4.3%).

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, capitalized R&D increased to €100.3 million compared with €81.7 million the year before. This equates to a share of 37.0% (previous year: 31.3%) of the Group's total R&D expenses. Scheduled amortization related to capitalized development costs totaled €30.0 million in 2023 (previous year: €23.9 million). Total research and development costs, including capitalized development costs, amounted to €271.1 million (previous year: €260.9 million). At 8.0%, the resulting gross R&D ratio[1], which includes all innovation-related expenses, was higher than the previous year's figure of 6.2%.

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

In 2023, Sartorius filed a total of 301 applications for intellectual and industrial property rights (previous year: 261). As a result of these applications, including those of prior years, 435 patents and trademarks during the reporting year (previous year: 353) were issued. As of the reporting date, the company had a total of 7,260 patents and trademarks in its portfolio (previous year: 6,421).

Further information is provided in the sections covering the individual divisions on pages 57 et seq. and 62 et seq.

1 Gross R&D ratio: Sum of research and development expenses recognized in profit or loss and development costs recognized in the balance sheet in relation to sales revenue.

Investments

In the reporting year, Sartorius continued to invest considerably in the expansion of new capacities in all regions. In addition to significantly expanding production capacities, the investment program aims to further diversify the production network and make it more flexible. In line with the company's expansion plans, some expansion projects were completed in 2023. Further projects will be completed in the current year or in subsequent years.

At €559.7 million, capital expenditures in 2023 were slightly higher than the previous year's figure of €522.6 million, as planned. The corresponding Capex ratio[1] rose to 16.5% (previous year: 12.5%) due to the decline in Group sales revenue.

The company's largest investment projects in the reporting year included the expansion of membrane manufacturing capacities and new laboratory space for product development in Göttingen, Germany.

At its site in Yauco, Puerto Rico, a production line for cell culture media was set up and put into operation in 2023.

Sartorius made further substantial investments in additional clean room space for the manufacture of sterile disposables at its site in Aubagne, France, in the reporting year.

In Ann Arbor, Michigan, USA, Sartorius invested in the construction of a new center of excellence in the field of bioanalytics, including research laboratories and production capacity.

In the Asia|Pacific region, the company invested considerably in Songdo, South Korea, where construction work began on a plant for cell culture media production and sterile consumables processing. In addition, Sartorius plans to build a technology center for customer consulting and product demonstrations as well as laboratory space at the new site, which is located in the middle of a biopharma park.

Production capacities were also expanded at other locations. For example, the company carried out expansion projects at other sites in Germany as well as in the USA, the UK, and Slovenia.

1 Capital expenditures in relation to sales revenue.

Employees

The following employee figures include all employees of the Sartorius Group, except for vocational trainees, interns, permanent absent employees, and employees in partial retirement. Employee figures are shown as headcount.

As of December 31, 2023, Sartorius had a total of 14,614 employees in 37 countries worldwide. This was 1,328 employees or 8.3% less than on December 31, 2022. Sartorius had increased headcount in previous years in connection with the significant growth in sales revenue. However, it adjusted the size of the workforce during the reporting period in response to the changing demand levels and reduced capacity requirement. A considerable portion of the peak headcount involved temporary employment contracts. In the reporting year, 264 employees joined the Group as a result of acquisitions.

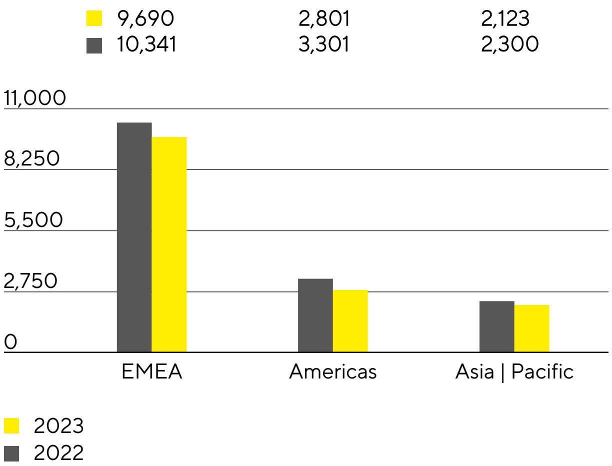
Employees

	2023	2022	Change in %
Group	14,614	15,942	-8.3
Bioprocess Solutions	11,293	12,560	-10.1
Lab Products & Services	3,321	3,382	-1.8

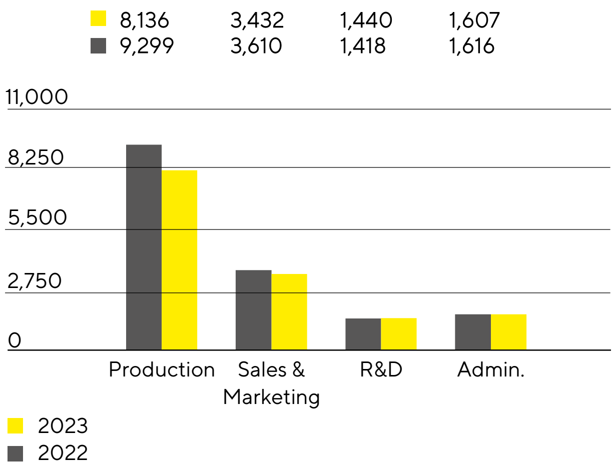
The Bioprocess Solutions division had 11,293 employees at the end of the reporting year (previous year: 12,560). The Lab Products & Services division had 3,321 employees (previous year: 3,382).

The employees of the central administrative functions were allocated to the divisions on the basis of their activities.

Employees by Region



Employees by Function



The number of employees in the EMEA region fell by around 6.3% in 2023 versus December 2022, taking the figure to 9,690. In Germany, Sartorius had 5,004 employees at the end of the reporting year, which corresponds to 34.2% of the total workforce.

In the Americas, Sartorius had 2,801 employees as of December 31, 2023, representing a drop of 15.1%. The number of employees in the Asia | Pacific region fell by 7.7% to 2,123.

At the end of 2023, approximately 56% of all Sartorius employees worked in production. At 8,136, the number of employees in this area decreased by 12.5% year over year.

At the end of the year, 3,432 people were employed in marketing and sales, representing a decrease of 4.9% and a share of around 23% of the total workforce.

Almost 10% of all employees worked in R&D. This corresponded to a year-on-year increase of 22 individuals or 1.6%, bringing the total number of employees to 1,440.

As of the reporting date, 1,607 people worked in administrative positions. This corresponds to a decrease of 0.6% compared with the same date of the previous year and to 11% of all Sartorius employees.

Further information on employees can be found in the Group's Non-Financial Statement starting on page 108.

Net Worth and Financial Position

Cash Flow

Cash flow from operating activities rose by 16.3% to €853.6 million (previous year: €734.2 million) despite the decline in earnings. The increase resulted primarily from the reduction of working capital. While Sartorius had increased inventories as planned in 2022 and previous years to secure supply ability in view of the temporary tensions in supply chains, these were significantly reduced in 2023. In addition, lower tax payments also had a positive effect.

Based on fundamentally intact growth drivers in the end markets and its medium-term growth targets, Sartorius continued its investment program to expand and diversify its production capacities, although the pace of implementation of individual measures was slowed down in view of the temporarily weaker demand. Cash outflows from investing activities decreased slightly by 1.9% to €582.4 million (previous year: -€593.8 million). Due to acquisition-related expenses of €2,240.9 million (previous year: €536.1 million), primarily in connection with the acquisition of Polyplus, a provider of innovative technologies for cell and gene therapies, cash flow from investing activities and acquisitions rose to -€2,823.3 million (previous year: -€1,129.9 million).

Primarily driven by the placement of bonds with a volume of €3 billion, cash flow from financing activities amounted to €2,165.7 million (previous year: €209.9 million). This also included dividend payments for the 2022 financial year in the amount of €134.4 million (previous year: €118.1 million).

Cash Flow Statement

€ in millions	2023	2022
Cash flow from operating activities	853.6	734.2
thereof change in net working capital	171.6	−300.1
Cash flow from investing activities and acquisitions	−2,823.3	−1,129.9
Cash flow from financing activities	2,165.7	209.9
Cash and cash equivalents	379.2	165.9
Gross debt	5,311.4	2,541.2
Net debt	4,932.1	2,375.3

Consolidated Statement of Financial Position

The balance sheet total of the Sartorius Group was €9,755.3 million as of the end of fiscal 2023 and thus €2.777.6 million higher than the prior-year level. This increase is largely due to the rise in non-current assets by €2,843.9 million to €7,798.5 million, mainly due to the increase in goodwill, other intangible assets, and property, plant, and equipment as a result of the acquisition of Polyplus and by the continuation of the investment program. At €1,956.9 million, current assets were slightly below the previous year's figure of €2,023.2 million, mainly driven by the reduction in trade receivables and a reduction in inventories, which were offset by an increase in cash and cash equivalents. Working capital amounted to €1,387.3 million as of December 31, 2023 (previous year: €1,663.5 million).

Key Figures for Working Capital

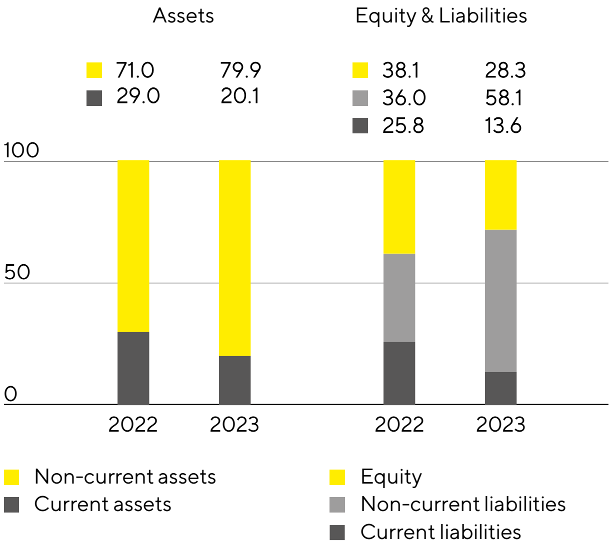
In days		2023	2022
Days inventory outstanding			
Inventories | Sales revenue[1]	x 360	109	101
Days sales outstanding			
Trade receivables | Sales revenue[1]	x 360	37	41
Days payables outstanding			
Trade payables | Sales revenue[1]	x 360	52	47
Net working capital days			
Net working capital[2] | Sales revenue[1]	x 360	93	95

1 Including pro forma sales of recent acquisitions.
2 Sum of inventories and trade receivables less the trade payables.

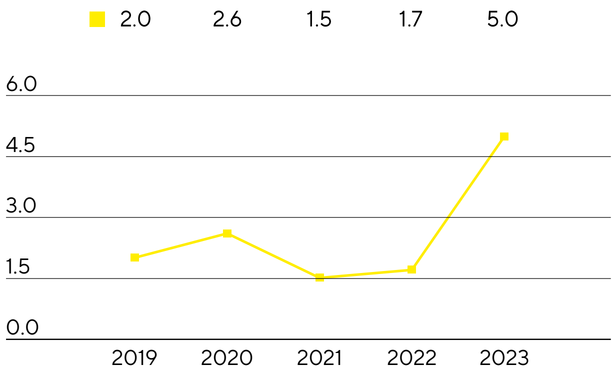
Equity grew by €98.5 million to €2,757.4 million. The equity ratio[1] was 28.3% (previous year: 38.1%).

The Group's non-current liabilities increased from €2,515.5 million to €5,667.9 million in the reporting year due to the issue of bonds with a volume of €3 billion. In addition to financing the Polyplus acquisition, a smaller portion of the funds was used to repay current financial liabilities or was held in cash. As a result, current liabilities fell by €473.3 million to €1,330.0 million. The decrease in trade payables also had a positive effect.

Balance Sheet Structure
in %



Ratio of Net Debt to Underlying EBITDA[2]



1 Equity in relation to the balance sheet total.
2 Quotient of net debt and underlying EBITDA over the past 12 months, including the pro forma amount contributed by acquisitions for this period.

Gross debt rose to €5,311.4 million at the end of the 2023 reporting year relative to €2,541.2 million in fiscal 2022 and is comprised of liabilities to banks, including bonds, promissory note loans ("Schuldscheindarlehen"), as well as lease liabilities. The increase is essentially due to the aforementioned bond placements. Net debt, defined as gross debt less cash and cash equivalents, increased from €2,375.3 million in the previous year to €4,932.1 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. Following the completion of the Polyplus acquisition and the investments made in the reporting year, the ratio of net debt to underlying EBITDA as at December 31, 2023, was, as expected, at a higher level of 5.0 (previous year: 1.7). This figure is expected to be significantly reduced in 2024, to which a strong expected cash flow as well as the further reduction of inventories and lower investments in capacity expansions should contribute.

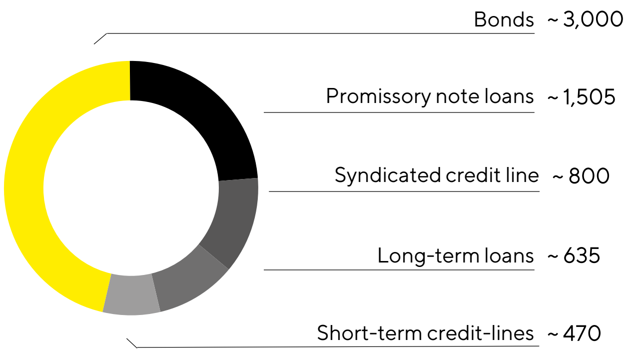
Reconciliation

€ in millions	2023	2022
Gross debt	5,311.4	2,541.2
- Cash & cash equivalents	379.2	165.9
Net debt	4,932.1	2,375.3
Underlying EBITDA (12 months)	962.7	1,410.4
+ Pro forma EBITDA from acquisitions (12 months)	14.7	11.7
Pro forma underlying EBITDA	977.4	1,422.1
Ratio of net debt to underlying EBITDA	5.0	1.7

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



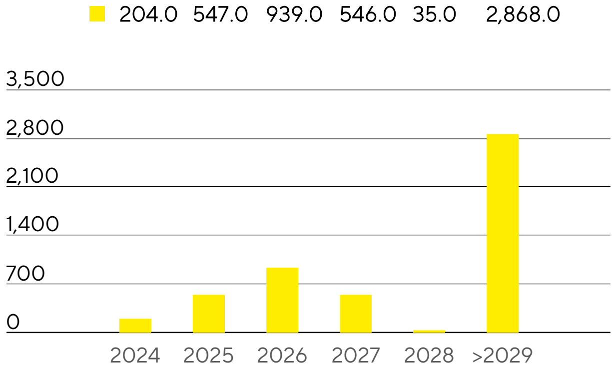
A major pillar in the financing mix is a syndicated credit line of €800 million with a remaining term until May 2028 and an extension option. In addition, Sartorius has various short-term credit lines totaling around €470 million. As of December 31, 2023, the total volume of all available and unused credit lines amounted to €1,270 million.

Corporate financing was supplemented in the reporting year by the placement of bonds with a volume of €3 billion. The issue comprised four tranches with terms of 3 to 12 years and coupons of between 4.25% and 4.875%. The net proceeds from the bond issue were used to repay the bridge financing for the acquisition of Polyplus and for general corporate purposes. In this context, Sartorius received a credit rating from a rating agency for the first time in the reporting year. The S&P Global Rating gave Sartorius an investment grade rating (BBB).

In addition, Sartorius has issued several promissory note loans ("Schuldscheindarlehen") with a total outstanding volume of €1,505 million. There are also several short- and long-term loans in place that total around €635 million and are being used in part for the expansion of production capacities.

At around 85%, the majority of the aforementioned financing instruments was concluded at fixed interest rates. The maturity profile of the Group's financing instruments is broadly diversified.

Maturity Profile of the Financing Facilities[1]
€ in millions



1 As of December 31, 2023, major financing instruments.

Due to its global business activities, Sartorius is exposed to the usual fluctuations in foreign exchange rates, which it hedges by forward contracts. At the end of 2023, foreign exchange contracts amounted to a volume of approximately €625 million, with a market value of €4.9 million.