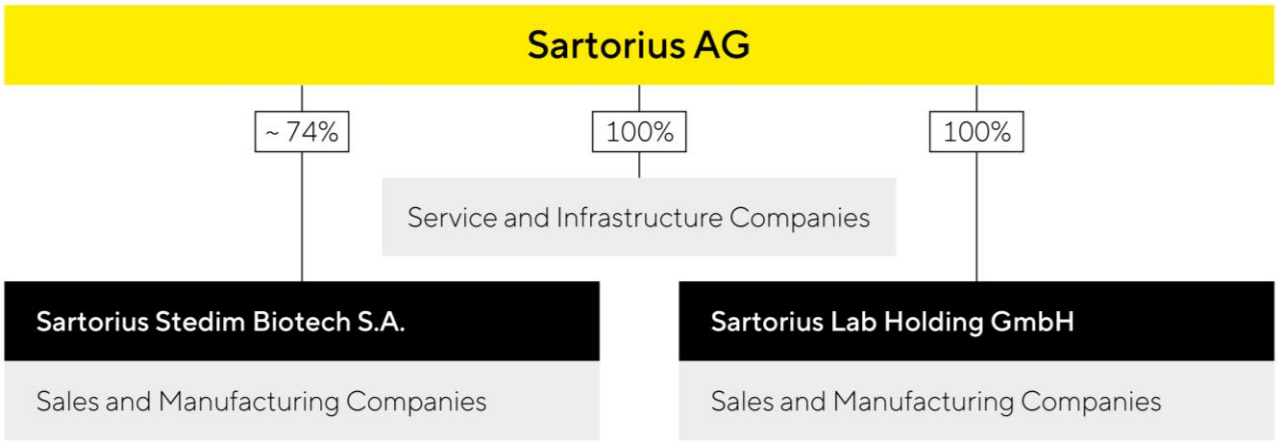
SARTORIUS

Combined Group Management Report

02

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, 2023, 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 customer groups and share part of the infrastructure and central services.

To align the business as closely as possible with customers' needs, the company's organizational structure is tailored based on the 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

Sartorius expanded the product portfolio of the Bioprocess Solutions Division in the reporting year by acquiring the French company Polyplus through its Sartorius Stedim Biotech S.A. subgroup, which is listed in France. The transaction was completed in July 2023 once the required approvals by the authorities had been granted.

Polyplus is a provider of innovative cell and gene therapy technologies. Established in 2001, the company is based in Strasbourg, France, with sites in France, Belgium, the United States, and China, employing around 270 people. The transfection reagents developed and produced by Polyplus are success-critical components in the manufacture of viral vectors used in cell and gene therapies as well as other new medical therapy methods. The company has recently enlarged its focus beyond this field and, through acquisitions in adjacent technologies, such as plasmid development and protein and plasmid manufacture, expanded its offering for gene therapies and genetically modified cell therapies.

Moreover, in June 2023, Sartorius – through the Sartorius Stedim Biotech subgroup – acquired Sartonet Seperasyon Teknolojileri Anonim Şirketi, which is based in Istanbul, Türkiye. The company imports and distributes the products of the Sartorius Group in Türkiye and in addition, offers its pharmaceutical customers a wide range of services, such as process development, technical support, calibration, and training. Sartonet had around 40 employees at the acquisition date.

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 indicator for managing profitability is the adjusted EBITDA margin, which is based on EBITDA adjusted for extraordinary items, i.e., underlying EBITDA.

With regard to the Sartorius 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.

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
- Employee Net Promoter Score (ENPS)
- Reduction of CO_2 emission intensity

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 forecast for the ratio of net debt to underlying EBITDA, is additionally indicated for the Group.

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 the initial idea in the lab to commercial-scale production.

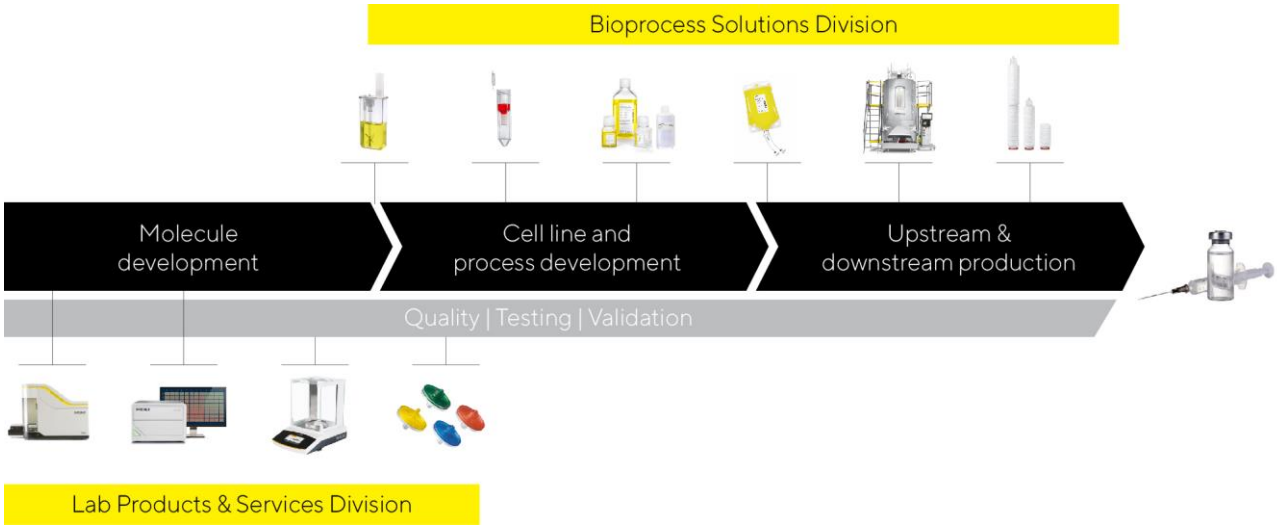
Biopharmaceuticals are integral components of advanced medicine and are used to treat many illnesses, mostly of a serious nature. However, long development times and complex production make these medications very expensive. This leads to high healthcare costs in industrialized countries and to the situation 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 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 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. 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 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 that it offers highly differentiating technologies. The innovative power rests on three pillars: the company's 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 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.

In the following, the positioning and strategy of the company's two divisions, Bioprocess Solutions and Lab Products & Services, are outlined.

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. The product range includes cell lines, cell culture media, and other components for the development and manufacture of advanced therapies, 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 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.

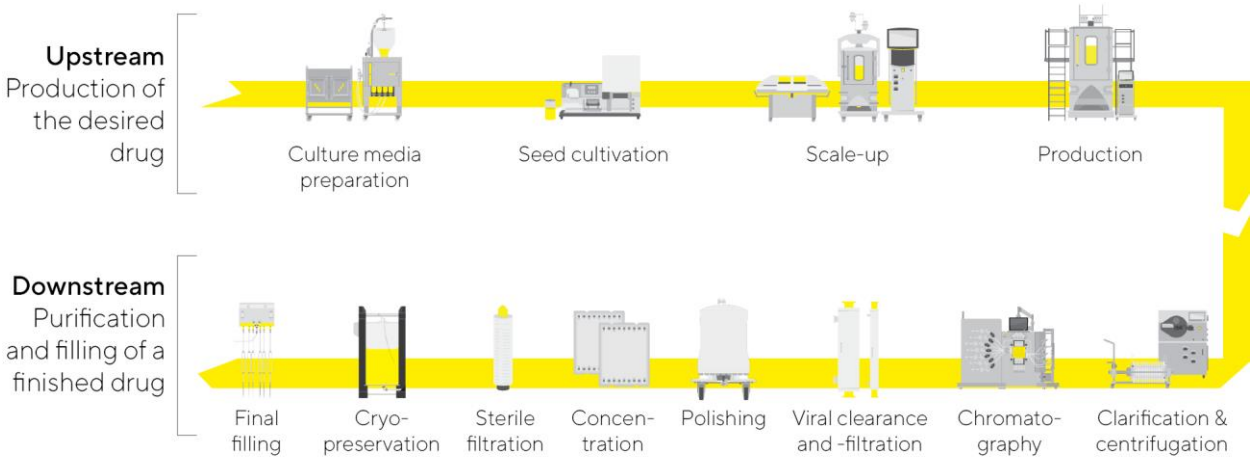
The breadth of the company's product portfolio is one of the key factors that differentiates it from many of its competitors. Sartorius can provide customers with complete process solutions from a single source, as well as assist with preceding project planning, process integration, and subsequent validation. 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.

Recurring business with sterile single-use products accounts for about three-quarters of the division'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 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 Business Development of Bioprocess Solutions.

Innovative Technologies for All Phases of Biopharmaceutical Drug Production



Schematic illustration

Lab Products & Services

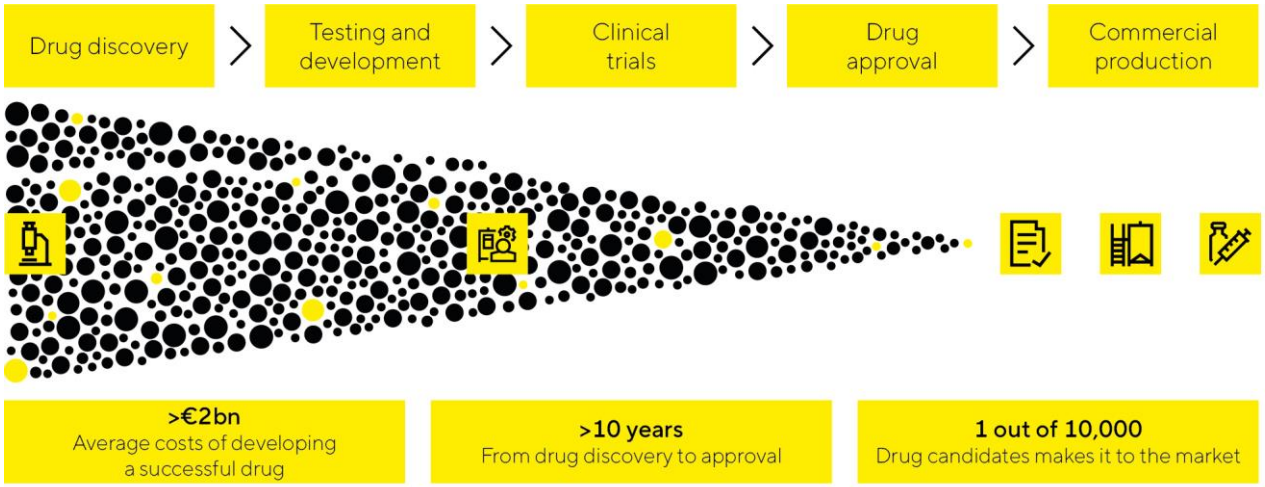
Over the past years, the Lab Products & Services Division has increasingly concentrated on the high-growth biopharmaceutical industry. With its products, the division addresses pharmaceutical and biotech research laboratories as well as academic research institutes. Sartorius supplies scientists and laboratory staff with the instruments and consumables they need to make their research and quality control easier and faster. For example, the company provides 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 to the acceleration of 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. The company's solutions are designed to boost the efficiency and productivity of routine yet quality-critical lab processes and industry-specific workflows. Aside from 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.

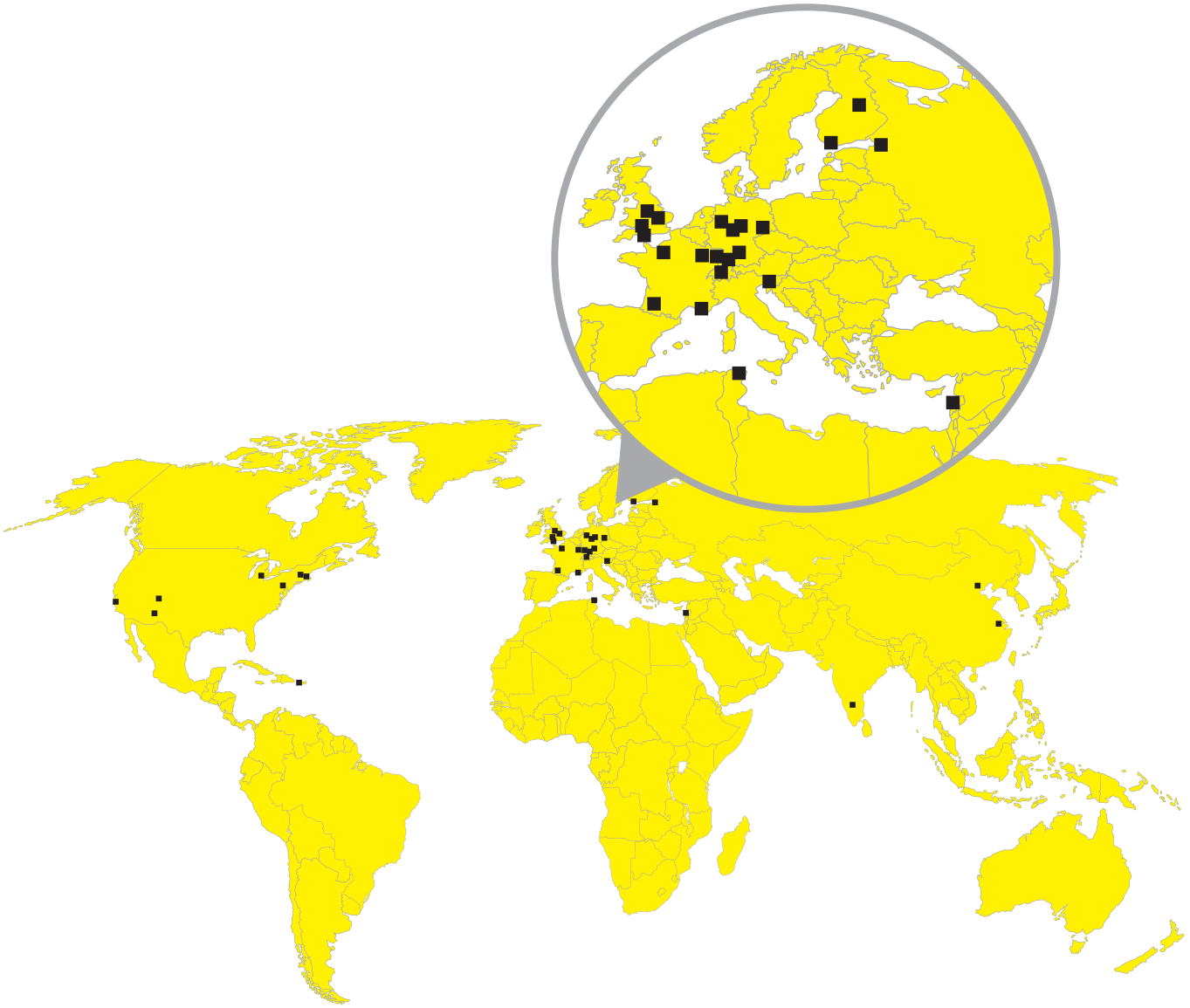
Information on the business development of this division in 2023 is provided in the section entitled Business Development of the Lab Products & Services Division.

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.

Global Presence



Americas

Puerto Rico – Yauco
USA – Albuquerque (NM), Ann Arbor (MI), Arvada (CO), Fremont (CA), Hopkinton (MA), Marlborough (MA), New Oxford (PA)

Asia | Pacific

China – Beijing, Shanghai
India – Bangalore

Europe | Middle East | Africa

Finland – Helsinki, Kajaani
France – Aubagne, Cergy, Lourdes, Pompey, Strasbourg
Germany – Bielefeld, Freiburg, Göttingen, Guxhagen, Jena, Ulm
Israel – Beit Haemek
Russia – St. Petersburg
Slovenia - Ajdovščina
Switzerland – Tagelswangen
Tunisia – Mohamdia
United Kingdom – Havant, Nottingham, Royston, Stonehouse

Medium-term Planning until 2025 and 2028

In 2018, Sartorius presented its medium-term planning up to 2025, according to which sales revenue was projected at €4 billion with an underlying EBITDA margin of 28%. These targets were raised twice in the following years and most recently envisaged sales revenue of around €5.5 billion with an underlying EBITDA margin of around 34%. Against the backdrop of the weaker than expected market situation in the entire life science sector following the pandemic and the resulting temporary decline in sales and earnings, a review of the medium-term targets was announced in October 2023. The new medium-term ambition until 2028 communicated at the end of January 2024 replaces the previous planning until 2025.

Sartorius intends to continue its profitable growth path in the long term and expects to grow faster than the market. According to the new medium-term targets, the Group plans to achieve average annual sales revenue growth in the low-teens percentage range over the five-year period to 2028 of which acquisitions are anticipated to contribute around a fifth. The underlying EBITDA margin is also expected to increase and reach around 34% in 2028. The margin targets include expenses of around 1 percent of Group sales revenue for measures to reduce the company's CO_2 emission intensity.

In terms of its two segments, Sartorius expects the Bioprocess Solutions division to grow on average in the low- to mid-teens percentage range per year between now and 2028 with an underlying profit margin of around 36%. The Lab Products & Services division is projected to expand at an average annual rate by a mid to high single-digit percentage with a margin of 28% in 2028.

All forecasts are based on constant currencies, as in the past years. Management points out that the industry has become increasingly dynamic and volatile in recent years. In addition, uncertainties due to the shifting geopolitical situation, such as various countries' nascent decoupling tendencies, are playing an increasing role. This results in increased uncertainty when forecasting business figures.

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 aligned with the value chain of the biopharma industry, and that 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 of both divisions. 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 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 continued to expand its production capacity in the reporting year. Capital expenditures totaled approximately €559.7 million in 2023 and were used to expand sites in Germany, France, Puerto Rico, the USA, and South Korea, 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 and laboratory products. Yet because it is home to the company's main competitors for both company divisions, Sartorius formerly had lower market share in this region than in Europe and Asia. By systematically strengthening its sales and service capacities, Sartorius has gained market share in the USA in recent years.

In Asia, one focus is on the construction of a new production facility in South Korea, which offers excellent growth prospects with its dynamically expanding biopharma market.

A detailed presentation of all investments can be found in the corresponding section starting on page 49.

Optimization of Work Processes

Sufficient production capacity and a powerful supply chain are an essential foundation for future growth. In recent years, Sartorius 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 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.

Research and Development

The Sartorius Group conducts its product development in its two divisions; Bioprocess Solutions and Lab Products & Services. A more detailed explanation of the focal points of product development can be found in the sections on the divisions on pages 61 and 66. Further related information, for example, on the amount of expenditure for research and development in the reporting year, can be found on page 48.

The Group-wide Corporate Research function conducts cross-divisional research and development with a view to long-term technological topics and works in close cooperation with external partners. 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 start-ups, Corporate Research pursues its own research activities in selected fields. This includes, for example, innovative technologies and methods for the development and production of new therapeutic approaches, new functionalities, and improved material properties – including with a view to their sustainability – or the use of artificial intelligence in biopharmaceutical research and production.