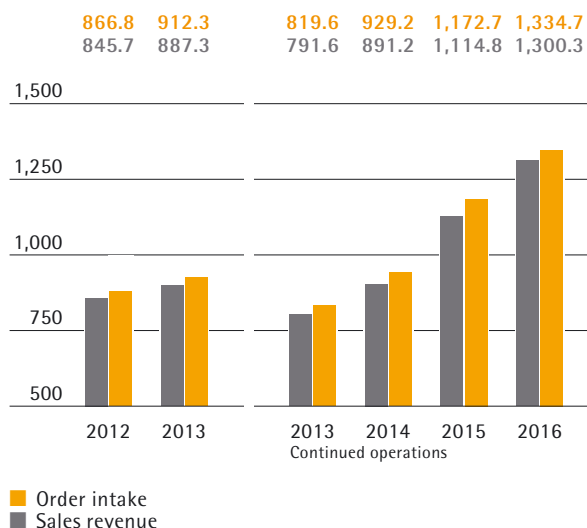


Sartorius Group
2016 Annual Report

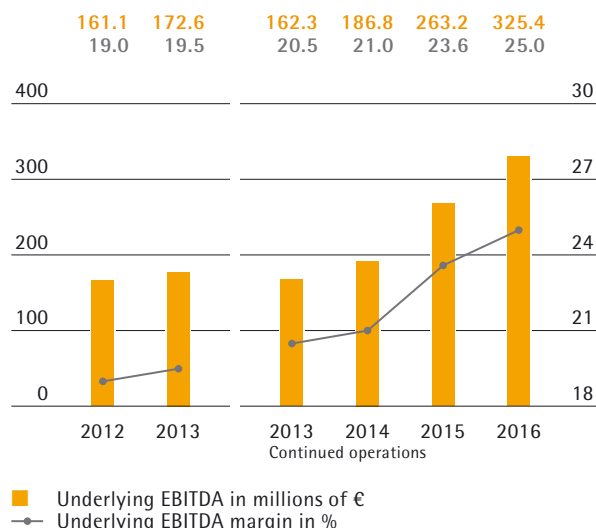
2016

Order Intake and Sales Revenue

€ in millions



Underlying EBITDA and Margin¹⁾



Key Figures

All figures are given in millions of € according to the IFRS, unless otherwise specified	2016	2015	2014	2013 restated	2013	2012
Order intake, sales revenue and earnings						
Order intake	1,334.7	1,172.7	929.2	819.6	912.3	866.8
Sales revenue	1,300.3	1,114.8	891.2	791.6	887.3	845.7
Underlying EBITDA ¹⁾	325.4	263.2	186.8	162.3	172.6	161.1
Underlying EBITDA ¹⁾ as a % of sales revenue	25.0	23.6	21.0	20.5	19.5	19.0
Relevant net profit for continuing operations ²⁾	132.6	107.4	66.1	59.2	-	-
Relevant net profit ²⁾	132.6	107.4	73.7	64.8	64.8	63.0
Research and development costs	59.4	52.5	43.6 ³⁾	47.7	53.8	49.0
Financial data per share⁴⁾						
Earnings per share continued operations ²⁾						
per ordinary share (in €)	1.93	1.57	0.96	0.86	-	-
per preference share (in €)	1.94	1.58	0.97	0.87	-	-
Earnings per share ²⁾						
per ordinary share (in €)	1.93	1.59	1.07	0.95	0.95	0.92
per preference share (in €)	1.94	1.60	1.08	0.96	0.96	0.93
Dividends						
per ordinary share (in €)	0.45 ⁵⁾	0.37	0.26	0.25	0.25	0.23
per preference share (in €)	0.46 ⁵⁾	0.38	0.27	0.26	0.26	0.24
Balance sheet						
Balance sheet total	1,753.0	1,437.2	1,273.0	1,181.3	1,176.6	1,070.9
Equity	736.8	644.8	497.7	450.3	450.3	404.4
Equity ratio (in %)	42.0	44.9	39.1	38.1	38.3	37.8
Financials						
Capital expenditures	152.1	113.1	80.9	60.6	62.9	74.2
Capital expenditures as a % of sales	11.7	10.1	9.1	7.7	7.1	8.8
Depreciation and amortization	75.7	58.9	52.7	45.8	47.7	40.6
Net cash from investing activities	170.4	124.4	129.7	97.0	103.3	53.2
Net debt	485.9	344.0	335.6 ⁶⁾	345.1 ⁶⁾	345.1	303.8
Gearing (underlying)	1.5	1.3	1.7 ⁶⁾	2.0 ⁶⁾	2.0	1.9
Total number of employees as of December 31	6,911	6,185	5,611	5,158 ⁷⁾	5,863 ⁷⁾	5,491

¹⁾ Underlying = excluding extraordinary items

²⁾ After non-controlling interest, adjusted for extraordinary items and non-cash amortization, as well as based on the normalized financial result, including the corresponding tax effects for each of these items

³⁾ Restated

⁴⁾ Adjusted for stock split; rounded values

⁵⁾ Amounts suggested by the Supervisory Board and the Executive Board of Sartorius AG

⁶⁾ Including discontinued operation

⁷⁾ Excluding TAP Biosystems



Our Mission

Sartorius is a leading international pharmaceutical and laboratory equipment supplier. With our wide array of products, we help our customers in the biopharmaceutical industry to manufacture innovative medications safely and economically. In laboratories for research and quality assurance, the name Sartorius is synonymous with premium lab instruments, consumables and services that make sophisticated tasks easier and more efficient. As partners, we understand our customers' requirements down to the last detail and are already working on solutions to meet their needs, both today and tomorrow.

We will further seek to systematically expand our position as an application-oriented technology group in the future as well. Based on our clear-cut strategy, we will continue to sustainably create value for customers and shareholders alike and translate our growth into high profitability.

Our Divisions at a Glance

Sartorius is a leading international supplier for the biopharmaceutical industry and laboratories, with around 6,900 employees worldwide and Group companies in more than 30 countries. The company conducts its operating business in two divisions: Bioprocess Solutions offers integrated solutions for biopharmaceutical manufacture, and Lab Products & Services provides premium instruments, consumables and services for research and quality assurance laboratories. We report on the business development of the two divisions starting on page 40, and provide insights into their strategies on pages 24 and 25.



Bioprocess Solutions Page 40

Bioprocess Solutions focuses on the bioprocessing business with pharmaceutical customers. With its extensive product portfolio, the division helps customers to manufacture biotech medications and vaccines safely and efficiently. Its major goal is to optimize pharmaceutical production processes and preliminary process development steps, primarily by increasing the deployment of single-use products and solutions. The division is a global leader in filtration, fermentation, cell cultivation, membrane chromatography and in fluid management.

Key Figures

€ in millions	2016	2015	Δ in %
Sales revenue	975.0	809.2	22.1 ¹⁾
Order intake	1,006.5	869.9	17.2 ¹⁾
Underlying EBITDA	273.5	214.5	27.5
as a % of sales	28.0	26.5	
Employees as of Dec. 31	4,584	4,030	13.8

¹⁾ In constant currencies

Lab Products & Services Page 44

With its premium laboratory instruments, consumables and services, the Lab Products & Services Division is positioned as a broad-based laboratory supplier. It concentrates on laboratories of both the research and quality assurance units in pharmaceutical and biopharmaceutical companies and on academic research institutes. The division serves further customers in the chemical and food industries. Its Sartorius brand laboratory products enable reliable and efficient analyses in the lab, helping to drive and accelerate scientific progress. The division is among the market leaders in laboratory balances, pipettes and lab consumables, and offers innovative solutions in bioanalytics.

Key Figures

€ in millions	2016	2015	Δ in %
Sales revenue	325.3	305.5	7.9 ¹⁾
Order intake	328.1	302.8	9.9 ¹⁾
Underlying EBITDA	51.9	48.8	6.5
as a % of sales	16.0	16.0	
Employees as of Dec.31	2,327	2,155	8.0

¹⁾ In constant currencies



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This annual report contains statements concerning the Sartorius Group's future performance. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, we cannot guarantee that they will actually apply. This is because our assumptions harbor risks and uncertainties that could lead to actual results diverging substantially from the expected ones. It is not planned to update our forward-looking statements.

This is a translation of the original German-language annual report. Sartorius shall not assume any liability for the correctness of this translation. The original German annual report is the legally binding version. Furthermore, Sartorius reserves the right not to be responsible for the topicality, correctness, completeness or quality of the information provided. Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected.

Throughout the Annual Report, differences may be apparent as a result of rounding during addition.

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To Our Shareholders

01

Report of the Executive Board

Dear Shareholders and
Business Partners,

Fiscal 2016 was again a highly successful year for Sartorius, both financially and strategically. With increases in revenue by 18.2% to €1.3 billion and in underlying EBITDA by nearly one-fourth, we grew even more strongly and profitably than we had forecasted a year earlier and reached our targets that were substantially raised at mid-year.

Both divisions saw excellent performance in the reporting year. The Bioprocess Solutions Division specializing in single-use products for the manufacture of biopharmaceuticals continued to expand faster than projected, growing by double digits for the sixth year in a row. It reported an increase in sales revenue of 22.1% to €975.0 million and an earnings margin of 28.0%. The division's growth was primarily organic; regionally, the highest dynamics were generated by Asia and the USA, a marketplace in which we gained market share yet again.

At mid-year, we expanded our portfolio by an additional innovative single-use product through the acquisition of the U.S. start-up kSep Systems. Overall, the past years have shown that we have been able to grow very profitably even through small- to mid-size acquisitions. All companies that have joined our Group over the past years offer not only attractive top-line growth prospects in themselves, but also show considerable synergy potential for our existing products and services.

Our Lab Products & Services Division that supplies laboratory instruments and consumables also performed well and achieved its targets. The division's revenue rose by 7.9% to €325.3 million; its earnings margin was 16.0%. With IntelliCyt and ViroCyt, we acquired two companies that have strong unique selling propositions and have sharpened the strategic positioning of the division. Both acquisitions have been strengthening our offering in bioanalytics, an especially high-growth segment of the laboratory market for biopharma. The customers we address in this market are, in particular, R&D labs of the pharmaceutical industry that develop biomolecules. We already have a presence in this field and plan to broaden our footprint even more so in the future. Moreover, Lab Products & Services made further progress in implementing its sales initiatives and accordingly recorded strong organic growth.

We also made headway in implementing our comprehensive, multi-year investment program. Consolidation and expansion of Group headquarters at the Sartorius Campus site in Goettingen are progressing as planned; by year-end we will have vacated our traditional main plant in Goettingen and combined the majority of our activities at the extended Campus site. In April, we started up operations at a new facility for manufacturing single-use laboratory products in the UK, and extended our production plant for single-use bags in France. A further focal area of investment in the current year will be on expanding aseptic filter and bag manufacture in Yauco, Puerto Rico, which we already began in 2016. In view of our strong growth in North America, we not only pulled forward this investment compared with our original plans but also increased the scale of this project.



As in the previous years, we intend to have our shareholders participate adequately in the success of our company. Accordingly, the Supervisory Board and the Executive Board will submit a proposal to the Annual Shareholders' Meeting on April 6, 2017, to raise dividends to 0.46 euros per preference share and 0.45 euros per ordinary share.

What are Sartorius' mid-range plans and which specific targets have we set for 2017? Achieving profitable growth in both divisions will remain at the focus of our strategy.

As a key supplier and partner of the biopharmaceutical industry, we are excellently positioned with the Bioprocess Solutions Division in an expanding and innovative sector. Many of our customers have received approvals over the past years for new biopharmaceuticals, which they are now manufacturing in relatively large quantities using our production technologies, primarily our consumables. Furthermore, a market for biosimilars of originator biologics is emerging, and this trend is expected to lead to a mid-range increase in the quantities of biopharmaceuticals produced and thus to expansion of the market we address.

In our Lab Products & Services Division, we focus on laboratories performing R&D and quality control in the pharmaceutical industry and the public research sector. In addition to our premium portfolio for sample preparation, which covers laboratory instruments and consumables as well as services, innovative technologies for molecule development are playing an increasingly significant role. Characterized by high innovation dynamics, this market segment is growing overproportionately, and we are additionally benefiting from the excellent customer relationships of our Bioprocess Solutions Division.

Given the growth prospects of the two divisions, we see ourselves on track to achieve our mid-term targets: We are aiming to reach Group sales of €2 billion along with an underlying EBITDA margin of 26% to 27%.

For fiscal 2017, we plan to increase full-year Group sales revenue by about 8% to 12% in constant currencies and to raise our underlying EBITDA margin by around half a percentage point. We will continue to execute on our investment program and project that our capex ratio will remain above our long-term average for 2017 and 2018 as well.

At this point, I would like to congratulate our staff members on this very successful year and to thank them for their exceptional commitment and personal contribution to this success. Dear shareholders, customers and business partners, I would like to express my appreciation to you for your trust, often extending back many years. We cordially invite you to continue with us on our road to further success as an innovative and highly profitable technology group.

Yours sincerely,

Dr. Joachim Kreuzburg
CEO and Executive Board Chairman

Sartorius Group Executive Committee

The Group Executive Committee (GEC) consists of the members of the Executive Board of Sartorius AG and additional top managers appointed by the Executive Board as necessary. The GEC is the key management committee of the Sartorius Group and serves to coordinate and control global business activities and functions. The GEC's activities supplement those of the Executive Board of Sartorius AG and lay the groundwork for the board's legally binding decision-making.

Joachim Kreuzburg

Chairman

Corporate Strategy, Legal, Compliance,
Communications

CEO of Sartorius AG
Chairman of the Board of Directors and
CEO of Sartorius Stedim Biotech S.A.

With Sartorius for 18 years



Oscar-Werner Reif

Research and Development

With Sartorius for 22 years



Jörg Pfirrmann

Finance, Human Resources,
Information Technology

Member of the Executive Board
of Sartorius AG

With Sartorius for 18 years





Volker Niebel

Production, Procurement,
Business Operations

With Sartorius for 15 years



Reinhard Vogt

Marketing, Sales & Services of the
Bioprocess Solutions Division

Member of the Executive Board
of Sartorius AG

With Sartorius for 33 years



Michael Melingo

Marketing, Sales & Services of the
Lab Products & Services Division

With Sartorius for 3 years

Report of the Supervisory Board

Dear Shareholders and BusinessPartners,

We look back again upon a fiscal year of strong growth for Sartorius. The company performed excellently in both divisions and all regions, and fully attained its financial targets raised during the year. To support the company's fast expansion, we invested in additional production capacities and in our IT infrastructure. at several sites. In view of our business portfolio, we succeeded in executing on two key strategic acquisitions in the Lab Products & Services Division and took over a small business for the Bioprocess Solutions Division.

In fiscal 2016, the Supervisory Board intensively dealt with the situation and prospects of the company. We advised the Executive Board concerning corporate management and performed the tasks assigned by German corporate law and the company's Articles of Association. The Executive Board kept us informed by providing regular, prompt and detailed reports, both written and verbal, about all relevant corporate planning and strategic development issues, the progress of business in the divisions, the situation of the Group, including its risk situation, risk management and internal control systems, and about compliance. All of the company's significant transactions were discussed in depth by the respective committee responsible, as well as by the full Supervisory Board, on the basis of the reports provided by the Executive Board. Following thorough review of the Executive Board's reports and proposed resolutions, we voted on these to the extent that our vote was required.

Cooperation between the Supervisory Board and the Executive Board was always characterized by openness, constructive dialogue and trust.

Focus of the Supervisory Board's Conferences

In the reporting year, the Supervisory Board convened at four ordinary meetings and two extraordinary conferences, which the Executive Board also attended,

provided these meetings did not concern the latter board's matters. We regularly conferred on the development of sales revenue, earnings and employment for the Group; the financial situation of the company and of its affiliates; and on strategic projects.

At our meeting on February 25, 2016, we fully reviewed the annual and consolidated financial statements for fiscal 2015 and endorsed them based on the reports given by the Audit Committee and the independent auditors who were present during this item of the agenda. Moreover, we thoroughly discussed and approved the agenda, along with the proposed resolutions, for the 2016 Annual Shareholders' Meeting and the proposal for appropriation of the annual profit. In this connection, the Supervisory Board also resolved to raise share capital by the use of retained earnings to carry out a stock split, which was implemented in June 2016, as planned. In addition, we defined the adjustment of Executive Board remuneration for the reporting year. Moreover, the Executive Board informed us about the negotiation status of various acquisition projects and gave us a progress report on the investment projects and IT projects under way.

At our meeting on April 7, 2016, we thoroughly dealt with the planned acquisition of the U.S. company kSep Systems, an excellent complementary fit with our bioprocess portfolio, and gave our approval to proceed with this transaction. In addition, the Executive Board reported on the investment projects in progress.

As part of an extraordinary meeting on May 20, 2016, the Executive Board informed us in-depth about the current situation and latest developments regarding various acquisition projects.

Potential takeover candidates were also at the focus of a further extraordinary Supervisory Board meeting on June 6, 2016. Following thorough consultation, the Supervisory Board approved the acquisitions of both



companies IntelliCyt and ViroCyt, which added complementary products to the portfolio of the Lab Products & Services Division.

During the Supervisory Board meeting on September 1, 2016, we focused on dealing with the implementation status and further development of corporate strategy, as well as with the strategy of both divisions. Based on a thorough presentation, we discussed the options for further strengthening the core business of the Bioprocess Solutions Division and for aligning the Lab Products & Solutions Division even more strongly with the attractive pharmaceutical segment. A further topic was to review the administrative functions of the company. In addition, the Executive Board provided an overview on the expansion of Group headquarters at Sartorius Campus, the progress made on vacating the original plant and on the contemplated post-use options of this real estate under new ownership. In this connection, the Supervisory Board decided to sell the respective property. Furthermore, based on a report given by the Nomination Committee, we considered the proposals for election of shareholder representatives to the Supervisory Board and decided on the respective candidates to suggest to the 2017 Annual General Shareholders' Meeting. An additional item was to review the remuneration of the Executive Board members to determine whether their compensation was in line with the usual market conditions and to examine the salary structure within the company.

At the meeting on December 8, 2016, the corporate governance topics on the agenda were also discussed in depth. After our consultations, we decided upon the wording of the Declaration of Compliance in accordance with the German Corporate Governance Code, with this Declaration confirming that Sartorius complies in full with the recommendations of the current Code. Moreover, the Chairman of the Supervisory Board provided an overview on the current regulations of the European Market Abuse Directive, and we discussed the results of our efficiency review

of the Supervisory Board's work. In a further item on the agenda, the Executive Board informed us about the implementation status of the new Group-wide ERP system and additional projects related to digitalization of various business processes. In addition, we also approved the budget submitted by the Executive Board for 2017.

Activity Report of the Committees

Four committees support the work of the Supervisory Board. They prepare topics that are then dealt with by the full Supervisory Board and, in individual cases, take decisions in lieu of the full board, as far as permitted. The committee chairpersons reported regularly to the Supervisory Board on the details of their committee work.

The Executive Task Committee met eight times during the reporting year. These meetings revolved around various strategic measures for the company. In addition, this Committee dealt with Executive Board and personnel matters, preparing, in particular, for the pending appointment of a new member to the Executive Board in 2017 and for decisions to be made about Executive Board remuneration. The committee also received information on the progress of various Group projects. Furthermore, the Executive Task Committee thoroughly considered succession planning for top managers, as well as the amendments to Corporate Governance Code, to prepare resolution proposals to be approved by the full Supervisory Board.

In the year under review, the Audit Committee held four meetings. The committee prepared for the full Supervisory Board's conference on endorsement and approval of the consolidated annual financial statements for fiscal 2015 and discussed the quarterly and first-half financial reports of 2016. A further focus was on monitoring the effectiveness of in-house auditing and the Group-wide risk management and internal control system, as well as on measures for

further improvement of compliance. In addition, the committee discussed various Group financing topics. Beyond these items, it reviewed the In-house Auditing department report, which did not indicate any material discrepancies in business transactions, and also considered the department's plans for the upcoming months. With respect to the audit of the annual financial statements for fiscal 2016, the committee confirmed the independence of the auditors and deliberated in detail on selecting auditors to recommend at the Annual Shareholders' Meeting for appointment and on commissioning these appointed auditors to perform an audit review, as well as on defining and monitoring the audit procedure and the focal points of the audit.

In view of the Supervisory Board elections pending at the 2017 Annual General Shareholders' Meeting, the Nomination Committee specified its proposals that it had already considered in the previous year concerning the composition of the Supervisory Board. Following intensive review, the respective election proposals were prepared during a meeting. The Conciliation Committee pursuant to Section 27, Subsection 3, of the German Codetermination Law ("MitBestG") did not have to be convened.

Audit of the Annual and Consolidated Financial Statements

The annual and consolidated financial statements prepared by the Executive Board for fiscal 2016 and the management report of Sartorius AG were reviewed by the independent auditing company KPMG Wirtschaftsprüfungsgesellschaft, based in Hanover, Germany. This company had been commissioned by the Audit Committee of the Supervisory Board pursuant to the resolution passed at the Annual Shareholders' Meeting on April 7, 2016. The independent auditors issued an unqualified audit certificate. They attended the Audit Committee meeting on February 20, 2017, and the Supervisory Board meeting on February 21, 2017, and reported on the essential results of their audits. Sufficient time was allotted for discussion of all issues with the auditors. Written information and audit reports had been sent to all Supervisory Board members on time and were discussed in detail during the meetings mentioned. On the basis of its own examination of the annual Sartorius AG and consolidated financial statements, the Sartorius AG management report and the Group management report, the Supervisory Board concurred with the results of the audit conducted by KPMG and, at the meeting on February 21, 2017, endorsed the financial statements of Sartorius AG and the Group on recommendation by the Audit Committee. The annual financial statements

were thus approved. The Supervisory Board and the Executive Board will submit a proposal at the Annual Shareholders' Meeting on April 6, 2017, to pay dividends of €0.46 per preference share and €0.45 per ordinary share from the retained profit to the shareholders.

Composition of the Supervisory Board and the Executive Board

In fiscal 2016, there were no personnel changes in the Supervisory Board or the Executive Board. However, Executive Board member Jörg Pfirrmann had announced in October 2016 that he would no longer be available to extend his Executive Board contract that was up for renewal in July 2017. At its meeting on February 21, 2017, the Supervisory Board appointed a successor to the Executive Board, who will take office effective March 1, 2017. The Supervisory Board would like to thank Mr. Pfirrmann, who will be resigning as of February 28, 2017, by mutual consent, for his accomplishments and his significant contribution to the further strategic and operational development of the Sartorius Group, and wishes him all the best for the future, both personally and professionally.

The Supervisory Board thanks the Executive Board and all employees across the globe for their great commitment and exceptionally successful work throughout the fiscal year ended. In addition, the Supervisory Board expresses its appreciation to its shareholders for the confidence they have shown yet again in the company.

Munich, February 2017

For the Supervisory Board



Prof. Dr. Dres. h.c. Arnold Picot
Chairman

Sartorius Shares

Stock Markets Continued to Be Volatile

Global stock markets were volatile again in the reporting year of 2016. In particular, the weak economic data of world's largest economy, China, and development of oil prices caused the majority of the indexes to decline substantially at the beginning of the year. For instance, the leading German stock index DAX fell to its annual low of 8,753 points in February. Yet despite the uncertainty surrounding the impact of the British referendum on ending E.U. membership, as well as that of the U.S. presidential election, the continued, highly expansive fiscal policy of the ECB enabled stock markets to recover substantially. On balance, the DAX reached its annual high of 11,481 points as of December 31, 2016, closing the stock market year 2016 with a gain of 6.9%. The German technology index TecDAX, to which the Sartorius preference shares also belong, edged down slightly by 1% in 2016 following strong development in 2015. After significantly above-average development over the past years, the NASDAQ Biotechnology Index fell 21.7%, which was attributed primarily to the discussion held on medical drug prices during the U.S. presidency election campaign.

Sartorius Implemented Stock Split

After Sartorius ordinary and preference shares had reached significant three-digit prices, the Annual General Shareholders' Meeting resolved on April 7, 2016, to raise capital by use of retained earnings to perform a so-called stock split for both classes of share at a ratio of 4:1. Each shareholder received three additional shares for each type of share held, without an additional payment. The computational reduction in share prices was intended to encourage trading with Sartorius shares, thus increasing their average trading volume.

Sartorius Share Prices Showed Dissimilar Development

The prices of both classes of Sartorius AG shares developed quite dissimilarly. The price of the preference shares rose during the reporting year by 17.3% to €70.5. After the price of the ordinary shares had more than tripled in 2015, it was below the closing price of 2015, at €72.60 for the year ended December 31, 2016.

The ranking of the Sartorius preference share in the German technology index TecDAX further improved during the year under review: based on the criterion of market capitalization, our preference shares moved up a rank from 8th at the end of 2015 to 7th. In trading volume – i.e., the volume traded on the Frankfurt Stock Exchange over the preceding twelve months – the Sartorius preference share jumped seven places compared with the year before, ranking 12th at year-end.

Facts about the Shares

ISIN	DE0007165607 (ordinary shares)
	DE0007165631 (preference shares)
Designated sponsor	Oddo Seydler Bank AG M.M. Warburg & Co. (AG & Co.) KGaA
Market segment	Prime Standard
Indexes	TecDAX CDAX Prime All Share Index Technology All Share Index NISAX20
Stock exchanges	Xetra Frankfurt Hanover Duesseldorf Munich Berlin Hamburg Bremen Stuttgart
Number of shares	74,880,000 no-par individual share certificates with a calculated par value of €1 per share
Of which	37,440,000 ordinary shares
	37,440,000 preference shares
Of which shares outstanding	34,212,224 ordinary shares
	34,176,068 preference shares

Trading Volume and Share Price Development

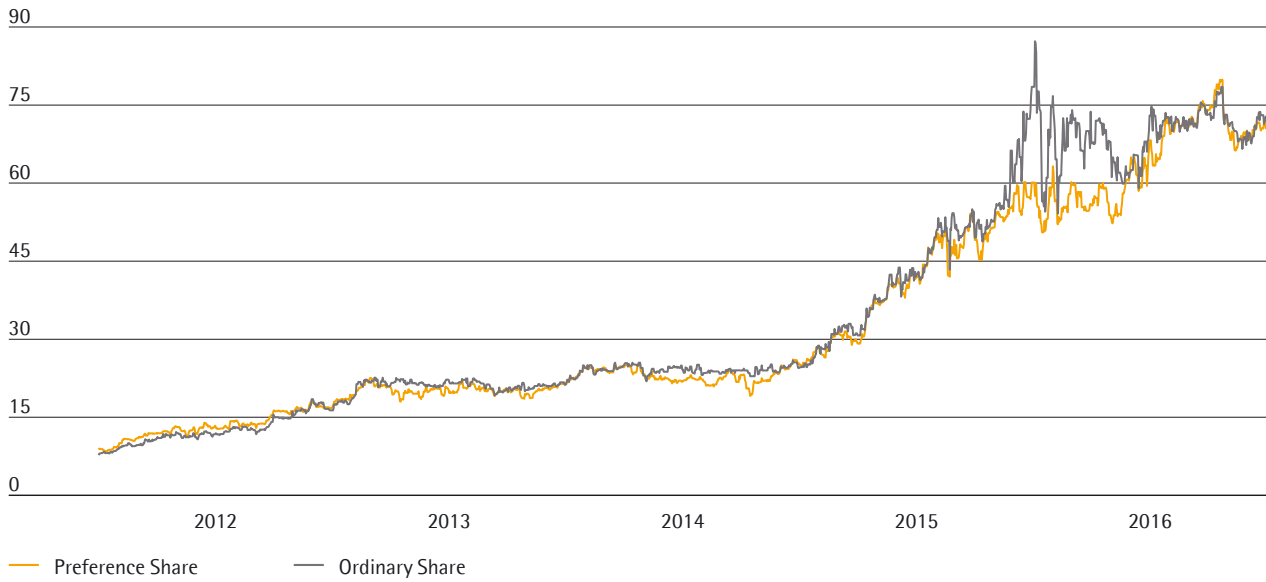
	2016	2015	Change in %
Preference share in € ¹⁾ (Xetra year-end closing price)	70.5	60.1	17.3
Ordinary share in € ¹⁾ (Xetra year-end closing price)	72.8	78.5	-7.3
Market capitalization in millions of € ²⁾	4,900.1	4,740.1	3.4
Average daily trading volume of preference shares ¹⁾	72,605	64,701	12.2
Average daily trading volume of ordinary shares ¹⁾	2,631	3,103	-15.2
Trading volume of preference shares in millions of €	1,172.3	706.2	66.0
Trading volume of ordinary shares in millions of €	44.4	33.8	31.4
Total trading volume in millions of €	1,216.70	740.0	64.4
TecDAX (Jahresschlusskurse XETRA)	1,811.72	1,831.0	-1.1
DAX (Jahresschlusskurse XETRA)	11,481.06	10,743.0	6.9

¹⁾ 2015 adjusted for stock split; rounded values

²⁾ without treasury shares

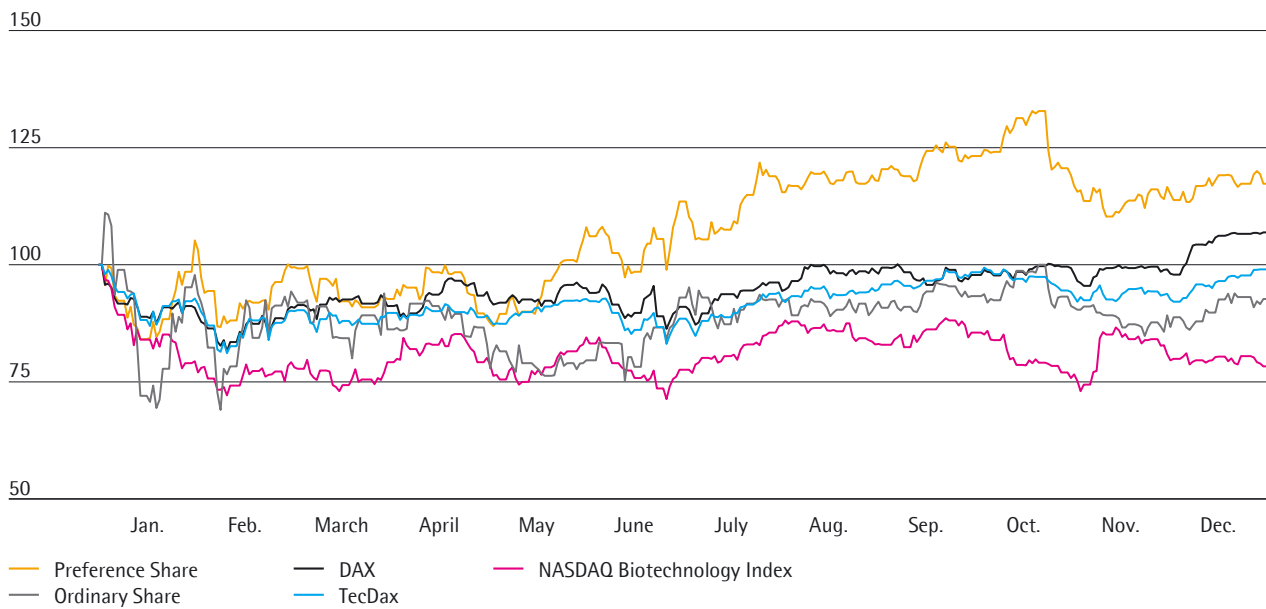
Sources: Bloomberg, Deutsche Börse AG

Sartorius Shares¹⁾ in €
January 1, 2012 to December 31, 2015



¹⁾ Sartorius share prices from January 1, 2012, to June 13, 2016, adjusted for stock split

Sartorius Shares¹⁾ in Comparison to the DAX, TecDAX and NASDAQ Biotechnology Index
January 1, 2016, to December 31, 2016



¹⁾ Sartorius share prices from January 1, 2016, to June 13, 2016, adjusted for stock split

Market Capitalization and Trading Volume

The market capitalization of the Sartorius ordinary and preference shares rose by around 3% in the reporting year and stood at €4.9 billion as of December 31, 2016, up from €4.7 billion in 2015.

The average number of preference shares traded daily on the Frankfurt Stock Exchange (Xetra and trading floor) increased substantially during the year under review from 64,701 to 72,605 shares. The respective trading volume rose even more strongly in the reporting year, reaching €1.2 billion, up from €0.7 billion a year earlier.

Due to the low free float of Sartorius' ordinary shares, they are traded only to a limited extent. Thus, the average number of ordinary shares traded daily was 776 2,631 compared with 592 3,103 in the previous year. Their owing to the low free float, with a corresponding trading volume of was around €34.44 million relative to €34 million in the prior year.

The year-earlier figures of the average number of Sartorius shares traded daily were adjusted in accordance with the stock split.

Investor Relations Activities

Sartorius investor relations activities follow the objective of making the current and future development of the company transparent for its stakeholders. To achieve this objective, Sartorius maintains an ongoing, open dialogue with shareholders, potential investors and financial analysts.

Besides providing quarterly, first-half and annual reports, we inform the capital market and the interested public at quarterly teleconferences and in regularly published press releases about the current development of our business and other material events concerning the company. Moreover, our management team was available to capital market participants at our sites in Goettingen, Germany, and in Aubagne, France, and at conferences and roadshows conducted in international financial market centers, such as London, Paris, Frankfurt am Main and New York, to hold one-on-one meetings. In the reporting year, our communication focused in particular on our upgraded mid-term targets, development of our operating business and on our portfolio expansion following acquisitions.

All information and publications about our company and its shares are available on our website at www.sartorius.com.

Analysts

The assessments and recommendations of financial analysts serve as an important foundation for the decisions of private and institutional investors when acquiring shares. During the reporting year, we maintained an ongoing dialogue with a total of eleven institutions.

Research Coverage

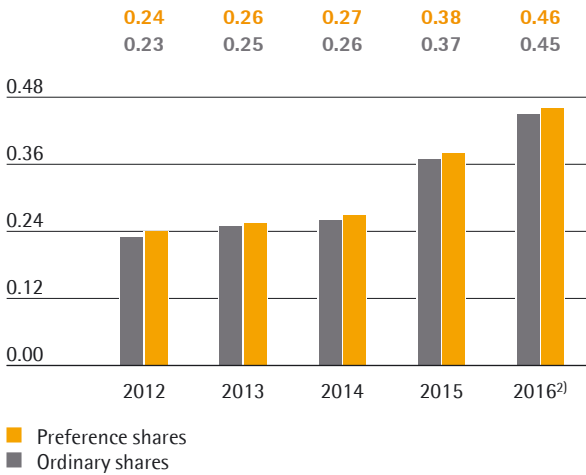
Date	Institute	Price target in €	Recommendation
Nov. 26, 2016	Nord LB	80.00	Buy
Nov. 25, 2016	Commerzbank	72.00	Hold
Nov. 25, 2016	Deutsche Bank	81.00	Buy
Nov. 24, 2016	M.M. Warburg	76.00	Hold
Nov. 24, 2016	Janney	90.00	Buy
Nov. 24, 2016	Oddo Seydler	77.00	Hold
Nov. 24, 2016	Berenberg	80.00	Buy
Nov. 24, 2016	UBS	75.00	Hold
Nov. 24, 2016	Metzler	80.00	Buy
Nov. 3, 2016	EQUI.TS	79.50	Buy
Nov. 2, 2016	DZ Bank	80.00	Buy
Nov. 1, 2016	Equita	68.00	Hold
Jul. 27, 2016	LBBW	75.00	Hold
Jul. 27, 2016	HSBC	73.00	Hold
Apr. 20, 2016	Kepler Cheuvreux	57.50	Hold

Dividends Raised

The Sartorius Group strives to enable its shareholders to participate adequately in the company's success and has continuously raised dividends over the past years. Our dividend policy is basically oriented toward distributing an approximately stable share of relevant net profit (see definition on page 33) to our shareholders.

The Supervisory Board and the Executive Board will submit a proposal to the Annual Shareholders' Meeting on April 6, 2017, to pay dividends of €0.46 per preference share and €0.45 per ordinary share for fiscal 2016.

Dividends¹⁾
in €



¹⁾ 2012 to 2015 adjusted for stock split; rounded values
²⁾ Amounts suggested by the Supervisory Board and the Executive Board of Sartorius AG

This would substantially increase the total profit distributed by 20.5%, from €25.8million in the previous year to €31.1million. The corresponding dividend payout ratio would be 23.4% relative to 24.0% a year earlier.

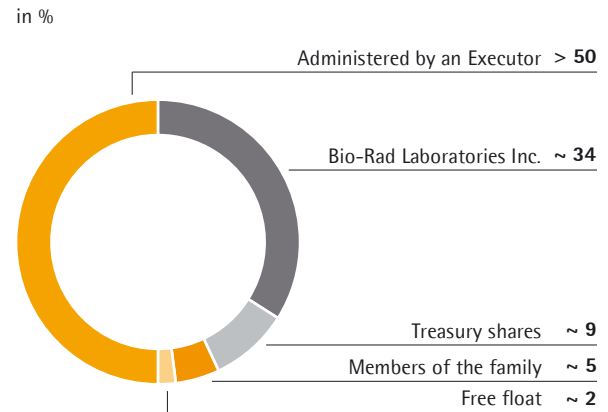
Based on the 2016 year-end prices of the Sartorius preference and ordinary shares, this would result in a dividend yield of 0.6% for ordinary shares (previous year: 0.5%) and 0.7% for preference shares (previous year: 0.6%). Treasury shares held by the company are not entitled to dividend payments.

Shareholder Structure

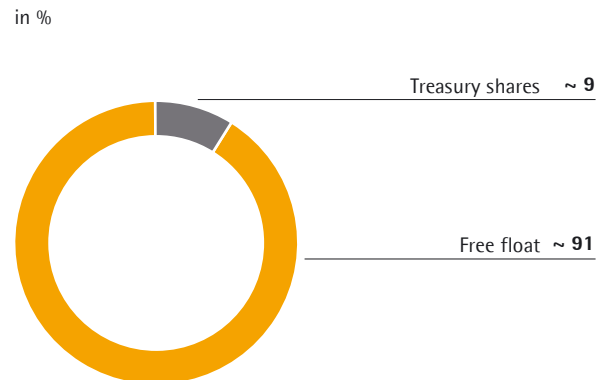
After implementation of the stock split, Sartorius AG's issued capital comprises 37,440,000 million ordinary shares and the same number of preference shares, each with a calculated par value of €1 per share. A good 50% of the ordinary shares are held by the Sartorius families and are under the management of an executor. Approximately 5% are held directly by members of the Sartorius families, and approximately 9% are owned as treasury shares by the corporation itself. According to the most recent information available, the U.S. company Bio-Rad Laboratories Inc. holds around 34% of the ordinary shares. To our knowledge, the remaining approximately 2% of the ordinary shares are in free float.

Around 91% of the company's preference shares are in free float; roughly 9% are held as treasury shares by the corporation.

Shareholder Structure: Ordinary Shares



Shareholder Structure: Preference Shares



Key Figures for Sartorius Shares¹⁾

		2016	2015	2014	2013	2012
Ordinary shares ²⁾ in €	Reporting date	72.80	78.50	24.50	21.25	16.33
	High	87.50	78.50	25.89	22.62	18.50
	Low	54.50	24.63	21.50	16.31	7.74
Preference shares ²⁾ in €	Reporting date	70.5	60.11	25.31	21.63	16.81
	High	79.85	60.19	26.11	22.5375	18.01
	Low	50.54	24.75	19.10	17.18	8.50
Market capitalization ³⁾ in millions of €		4,900.1	4,740.1	1,698.3	1,461.8	1,129.8
Dividend per ordinary share ⁴⁾ in €		0.45	0.38	0.27	0.25	0.24
Dividend per preference share ⁴⁾ in €		0.46	0.38	0.27	0.26	0.24
Total dividends ^{4) 5)} in millions of €		31.1	25.8	18.2	17.2	16.2
Payout ratio ^{4) 6)} in %		23.5	24.0	24.7	26.6	25.7
Dividend yield per ordinary share ⁷⁾ in %		0.6	0.5	1.1	1.1	1.4
Dividend yield per preference share ⁷⁾ in %		0.7	0.6	1.1	1.1	1.4

¹⁾ Share prices and dividends for 2012 to 2015 adjusted for stock split; rounded values

²⁾ Xetra daily closing price

³⁾ Without treasury shares

⁴⁾ For 2016, amounts suggested by the Supervisory Board and the Executive Board of Sartorius AG

⁵⁾ Calculated on the basis of the number of shares entitled to dividends

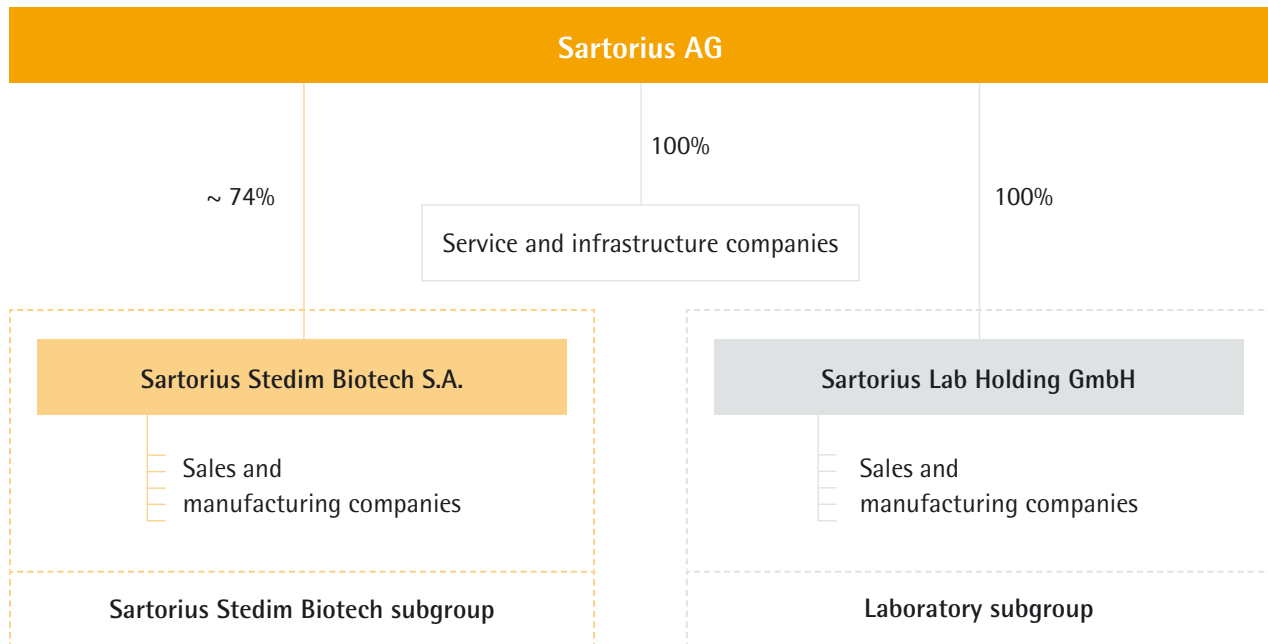
⁶⁾ Based on the relevant net profit: net profit adjusted for extraordinary items and non-cash amortization, based on the normalized financial result, including the corresponding tax effects

⁷⁾ In relation to the closing price in the year concerned

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 parent company of the Sartorius Group is Sartorius AG, which is headquartered in Goettingen, 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, 2016, 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 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.

The Group's central management entity is the Sartorius Group Executive Committee (GEC), which currently has six members. These are the Executive Board members of Sartorius AG and further senior managers with global responsibility.

The Sartorius Group is largely organized by function worldwide. Accordingly, the respective managerial responsibilities for the individual functions at the top management levels are performed across all sites and regions. 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

In the reporting year, Sartorius acquired three companies.

The portfolio of the Lab Products & Services Division was expanded by the acquisition of U.S.-based Intellicyt Corp. in June and by ViroCyt Inc. in July 2016, which both operate in the field of bioanalytics.

Headquartered in Albuquerque, New Mexico, Intellicyt Corp. developed a powerful cell screening platform used in drug discovery and in 2015 generated sales revenue of around U.S.\$13 million. The start-up ViroCyt Inc., based in Broomfield, Colorado, offers especially time-efficient solutions for virus quantification. Its annual sales in 2015 were about U.S.\$2 million. Both companies were initially consolidated as of the respective acquisition date.

In July 2016, Sartorius through its subgroup Sartorius Stedim Biotech additionally acquired kSep Holdings, Inc., a further young technology company based in Morrisville, North Carolina. kSep develops and markets fully automated single-use centrifuges used for manufacturing biopharmaceuticals, thus complementing the product portfolio of the Bioprocess Solutions Division. In 2015, the company generated sales revenue of around U.S.\$5 million. It was initially consolidated upon completion of the acquisition at the end of July 2016.

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. The key profitability measure is EBITDA adjusted for extraordinary items, i.e. underlying EBITDA, and the corresponding margin.

Regarding the debt financing potential of the Sartorius Group, the key indicator is the ratio of net debt to underlying EBITDA for the last twelve months. 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

As a rule, the annual financial forecast that is published at the beginning of a fiscal year for the Group and the divisions 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, is additionally indicated for the Group.

Strategy and Goals

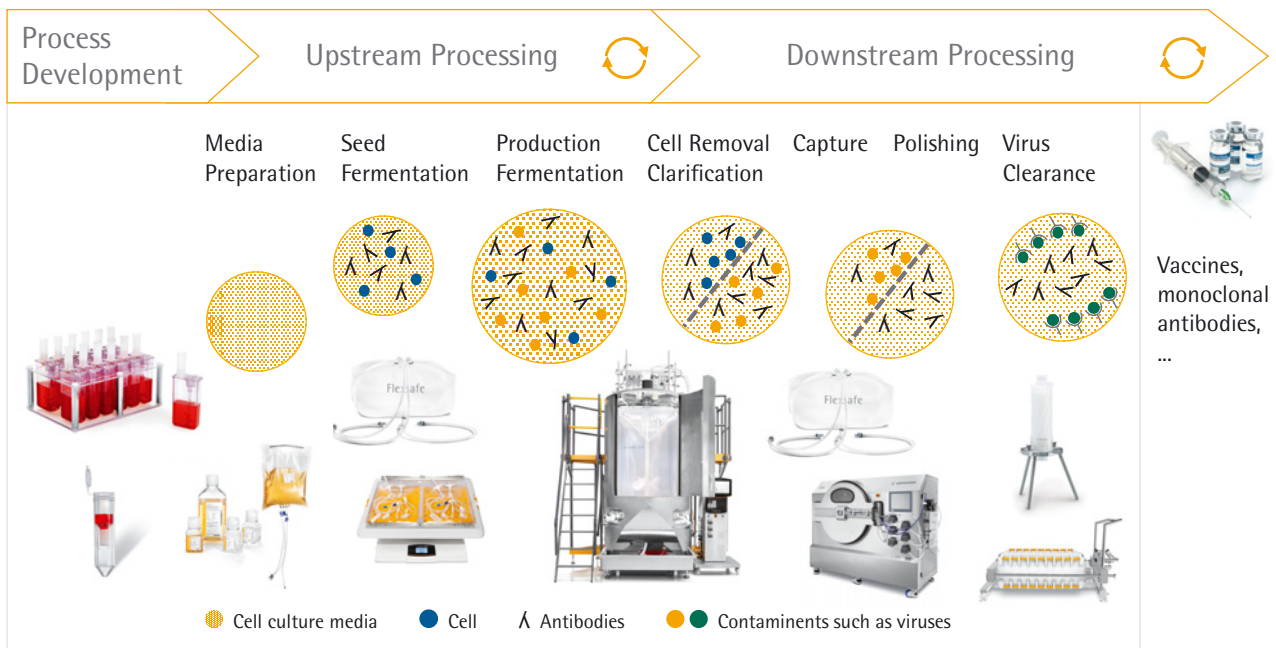
The Sartorius Group conducts its operating business in two divisions: Bioprocess Solutions and Lab Products & Services. The division setup and strategy are as follows:

Bioprocess Solutions

The Bioprocess Solutions Division is a leading international supplier of products and services for the safe and efficient biologic manufacture of medications and vaccines. As part of our strategy as a total solutions provider, we have created a broad product and technology portfolio, from both our own developments and acquisitions, for our biopharma customers. This portfolio covers virtually all steps of their production processes and includes, inter alia, cell culture media, cell lines, bioreactors, a wide range of products for separation, purification and concentration, as well as solutions for storage and transportation of intermediate and final biological products.

The division generates around three quarters of its sales revenue with single-use products. Due to their cost advantages and higher flexibility compared with reusable technologies, such single-use products are increasingly being used by the pharmaceutical industry.

With its global, specialized sales force, Bioprocess Solutions addresses an attractive market with above-average growth rates. As our customers' manufacturing processes are validated by the respective health authorities, product quality and assurance of supply are essential. We see the leading international market positions of this division as good stepping stones for sustained dynamic and profitable growth in the future. Besides realizing our organic growth potential, we also aim at further expanding the division's portfolio through complementary acquisitions and alliances.



Simplified diagram

Lab Products & Services

Sartorius is a well-known laboratory brand and, as a premium supplier, offers a wide array of instruments, consumables and services for sophisticated analyses in the lab. In particular, the division addresses research and quality assurance laboratories in the pharmaceutical and biopharmaceutical industries as well as academic research institutes.

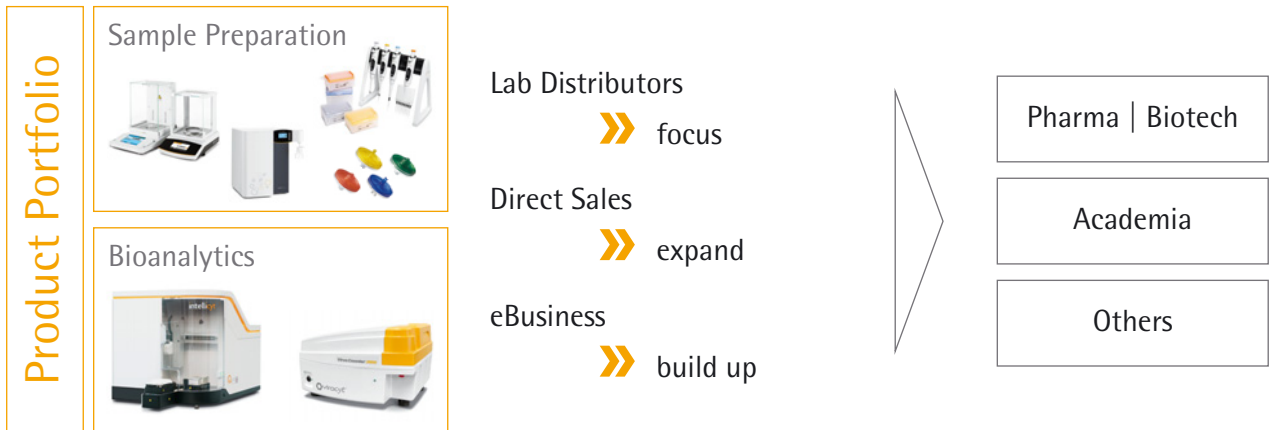
The division's product range primarily used in sample preparation is comprised of instruments such as laboratory balances, pipettes, bioreactors and lab water systems, as well as laboratory consumables, for example, filters and microbiological tests.

In the reporting year, Sartorius expanded its lab business by adding two innovative bioanalytical technologies. Both are used especially by biopharmaceutical customers in the development of new molecules. The Intellicyt cell screening platform ideally integrates instruments, software and reagents, delivering concurrently more information on cell properties and reactions in less time than other current procedures.

ViroCyt also offers an automated platform that integrates instruments, software and reagents, in this case for virus quantification. Both of these technologies provide unique characteristics, offering high growth and margin potential.

The Lab Products & Services Division has a strong global market share in major product segments. Based on the company's history, market shares vary in part, depending on the region and product group. To realize its organic growth potential, the division reorganized its distributor channel and is continuously expanding both its direct sales organization and eBusiness platform.

With its comprehensive portfolio for sample preparation and innovative products for bioanalytics, the Lab Products & Services Division has a strong foundation for continuing strong organic growth. In addition, we plan to further extend the lab division's portfolio by acquisitions.



Sartorius 2020 Strategy

In 2011, Sartorius defined its strategy and long-term targets for 2020 to achieve profitable growth. At the beginning of 2016, close to the mid-point of this timeline, this 2020 plan was reviewed and updated.

The company's sales target of around €2 billion has been maintained despite the divestiture of the Industrial Technology Division in the interim. Growth is predominantly expected to be generated by Sartorius' existing portfolio, i.e., organically, and supplemented by acquisitions. In view of its profitability, Sartorius upgraded its margin target related to underlying EBITDA from around 23% to about 26% to 27% for 2020. This is assuming that the profitability of any future acquisitions would be at a level comparable to that of the existing business and that no significant changes in key exchange rates would occur.

Sartorius' 2020 targets are being implemented by various growth initiatives with the following areas of focus:

Regional Growth Initiatives

Regionally, North America and selected countries in Asia are at the focus of Sartorius' growth strategy.

North America is the world's largest market for the manufacture of biopharmaceuticals and laboratory products. Because North America is home to the main competitors for both company divisions, Sartorius has historically lower market shares in this region than in Europe and Asia. Accordingly, the company is striving to further gain market share, primarily by strengthening its sales and service capacities. Our second regional focus is on Asia, especially on China, South Korea and India. These markets have tremendous potential due to their expanding healthcare systems and increased spending by private households. Moreover, major production facilities for biosimilars are being set up in these countries, and contract manufacturers are strengthening their presence in this region. To participate in the momentum of the Asian markets in the best possible way, Sartorius already invested substantially in its sales infrastructure in this region.

Expansion of Product Portfolio

Regarding the further development of our portfolio, the 2020 strategy also provides for making acquisitions for both Group divisions. Such acquisitions will be primarily focused on adding complementary technologies and products that enhance the attractiveness of the company's portfolio even more from a customer perspective. Since 2011, we have significantly strengthened our portfolio by nine small- and medium-sized acquisitions.

Infrastructure

The foundation for future profitable growth is constituted by efficient business processes, a powerful IT infrastructure and sufficient production capacities. Based on standardized business processes worldwide, Sartorius will be rolling out a new ERP system up to 2018 and is additionally investing continuously in the digitalization of its processes. Moreover, the company is considerably extending its production capacities at various locations, especially for filter and bag products, and combining its two sites located in separate areas at its headquarters in Goettingen into one location.

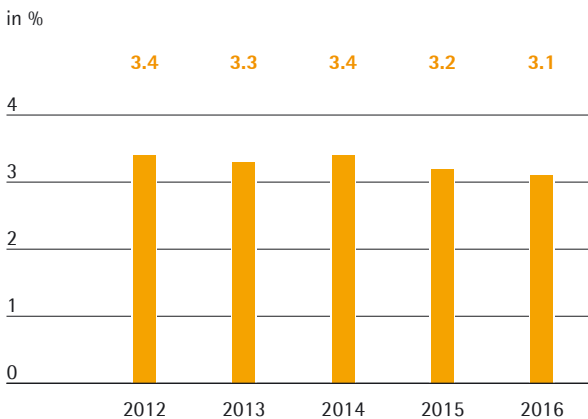
Macroeconomic Environment and Conditions in the Sectors

The sectors in which the Sartorius Group is active differ in their dependence on the economy. The Bio-process Solutions Division, for instance, operates in an environment that is largely independent of economic fluctuations. The Lab Products & Services Division, in contrast, is active in sectors whose development is more strongly affected by economic factors.

Macroeconomic Environment

According to statements by the International Monetary Fund (IMF), the global economy grew as expected in 2016 and ended with a plus at around the same level as the year before: 3.1%.

Global Development GDP (2011 to 2016)



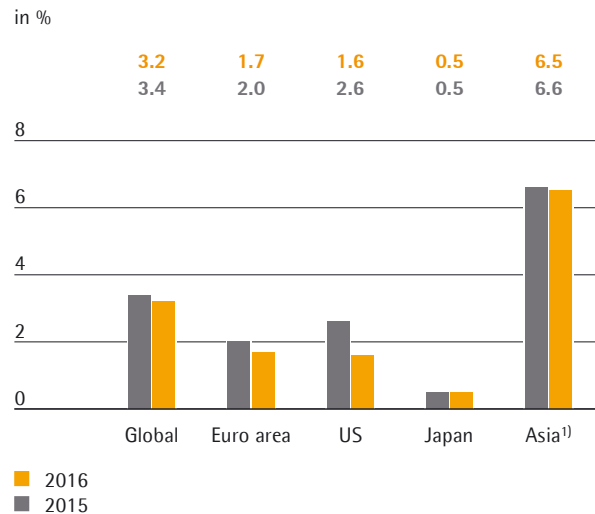
Source: International Monetary Fund

Growth in the industrialized countries rose by 1.6 % (2015: +2.1 %), but as expected, the emerging economies delivered the greatest contribution to global growth: their gross domestic product (GDP) climbed 4.2 % during the reporting year. The Asian economic area continued to be the most important growth driver, with a plus of 6.5%, and China, the world's largest economy, charted growth of 6.6 % (2015: 6.9 %).

Economic growth in the USA slowed significantly during the reporting year to +1.6 % (2015 +2.6%), a trend fueled especially by low levels of business investment and lower inventories.

Growth in the euro area amounted to +1.7 % according to the IMF, slightly below last year's value of +2.0%. Its development during the year under review is attributable primarily to the ECB's positive monetary policies and consumer spending.

Gross Domestic Product by Region



¹⁾ Asia = China, India and Asean-5 (Indonesia, Malaysia, Philippines, Thailand, Vietnam)

Source: International Monetary Fund

Exchange Rate Trends

Beyond the euro, currencies relevant to the Sartorius Group include the U.S. dollar in particular as well as the British pound, Swiss franc, Chinese yuan, Japanese yen, South Korean hwan and Indian rupee.

The euro-U.S. dollar exchange rate rose during the first half of the year to 1.16 dollars owing principally to weak U.S. economic figures, but for the remainder of the year, uncertainty about economic developments in Europe following the Brexit referendum and the prospect of fiscal policy measures in the USA caused the euro to fall significantly against the U.S. dollar. The exchange rate thus ended the year on December 31, 2016 at 1.06 U.S. dollars compared with 1.09 at the end of 2015.

Interest Rate Trends

The average interest rate level remained at a historically low level during the reporting year: in March, the European Central Bank (ECB) reduced its base rate from 0.05% in 2015 to 0.00%. The 3-month EURIBOR rate – the rate of interest on fixed-term deposits denominated in euros in interbank business – stood at -0.32% on December 31, 2016 (2015: - 0.13 %).

Sources: International Monetary Fund: World Economic Outlook October 2016; Bloomberg.

Conditions in the Sectors

The key customers served by the Sartorius Group are from the biopharmaceutical and pharmaceutical industries, public research institutes and the chemical and food sectors. The progress of the Group's business accordingly depends to a considerable extent on developments in these industries.

Strong Growth in the World's Pharmaceutical Markets

According to several market observers, the global pharmaceutical showed a positive development once again in 2016, with growth of +4% to +5%. The availability of innovative new medications, improved access to healthcare – in part through the expansion of state healthcare systems – and the continually growing and aging population were the main drivers to this growth. These positive factors were countered by austerity measures in individual national healthcare systems and the expiration of patents.

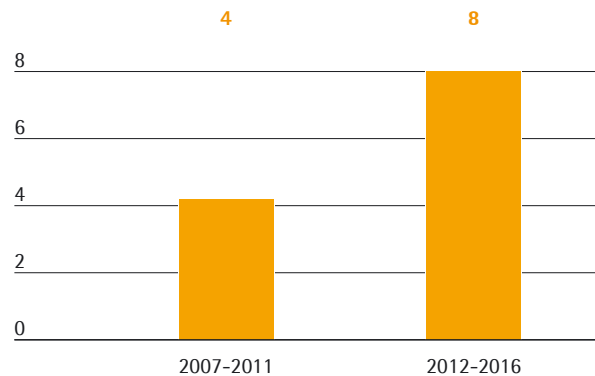
As in previous years, the strongest growth dynamic was observed in the so called "pharmerging markets", whose development was driven by the expansion of state-funded healthcare systems and higher out-of-the pocket spending. The world's largest pharmaceutical market, the USA, has grown significantly owing to a comparatively high number of newly approved drugs in recent years. Growth in the European pharmaceutical market, in contrast, continued to be dampened by austerity measures in individual national healthcare systems.

Above-Average Growth in the Biotechnology Market

The market for medications manufactured using biotech methods has grown overproportionately within the world's pharmaceutical market for many years now. It enjoyed particularly dynamic growth in 2015 that continued overall during 2016. This historically overproportionate growth is especially attributable to the launch of many new biopharmaceutical drugs as well as additional market penetration of existing medicines, in part through expanded indications.

The high R&D productivity of the biotechnology sector has led to a significant increase in the number of newly approved biopharmaceuticals in recent years: For example, the number of new approvals in the USA nearly doubled over the past five years in comparison to the period before that. Overall, the proportion of sales revenue of the world's pharmaceutical market from medications manufactured using biotech methods grew from around 20% in 2012 to approximately 25% during the reporting year.

Average Number of New Approvals of Biotech Medications in the USA per Year



Biosimilars, which are biological copycat medications, have played only a minor role to date in the growth of the biotechnology market. However, despite being underdeveloped compared with the markets for biosimilars in Europe and Asia, the industry made significant progress in the important U.S. market during the year under review: in 2016, three biosimilars were approved by the U.S. health authority FDA following the first market authorization in 2015 on the basis of an abbreviated approval procedure.

Single-Use Systems for Biopharmaceutical Production Continue to Gain Importance

Biotech production methods are much more complex and cost-intensive than traditional methods for producing medications. Consequently, manufacturers and suppliers are continuously looking to develop more efficient technologies. Single-use products play a decisive role in this effort: they require significantly less capital expenditure, reduce costs for cleaning and validation, and minimize downtimes. They also offer greater flexibility in production and help accelerate time to market. Thanks in particular to their cost-efficiency, single-use technologies have already become well established in a large number of process steps.

Moderate Growth in the Global Laboratory Market

The demand for laboratory instruments and consumables primarily comes from the biopharmaceutical and pharmaceutical industries, public research institutes and the chemical and food sectors.

The global laboratory market grew by approximately +2.5% in the reporting year according to Frost & Sullivan. In face of moderate economic growth and uncertainty surrounding the Brexit referendum, growth in Europe came in at only +1.5%. The USA, the largest market for laboratory products, grew by +2.7%. Activity by the public research sector rose only slightly above 2015 levels, but the demand for laboratory products on the part of the biopharmaceutical industry was very strong. Significant growth was once again reported in Asian countries such as China and India, in which the laboratory market enjoyed an above-average expansion of +7.8% (China) and +8.8% (India).

Competitive Position

The competitive environment in each of our two divisions is as follows:

The Bioprocess Solutions Division operates as a total solution provider, covering the core process steps in biopharmaceutical production and process development. It holds a leading global position in key technological fields, and offers the sector's most extensive portfolio of single-use technologies. The Bioprocess Solutions Division's principal competitors include Merck KGaA, Danaher, General Electric and Thermo Fisher.

The Lab Products & Services Division is positioned as a premium provider of products along with excellent services, and serves both R&D laboratories and quality assurance laboratories across many industries. Our product range in this area includes laboratory balances, pipettes, and solutions for bioanalytics as well as a wide range of consumables. The division ranks among the leading providers worldwide in most of these areas. Its principal competitors include Mettler Toledo, Thermo Fisher, Merck KGaA, Danaher and Eppendorf.

Sources: IMS: IMS Health Market Prognosis, March 2016; Global Medicines in Use in 2020, November 2015; Evaluate Pharma: World Preview 2016, Outlook to 2022, September 2016; Frost & Sullivan: 2016 Annual Report: Forecast and Analysis of the Global Market for Laboratory Products, October 2016; www.fda.gov; FDA-Approves-Third-Biosimilar-in-US-First-for-Amgens-Blockbuster-Enbrel, www.raps.org.

Group Business Development

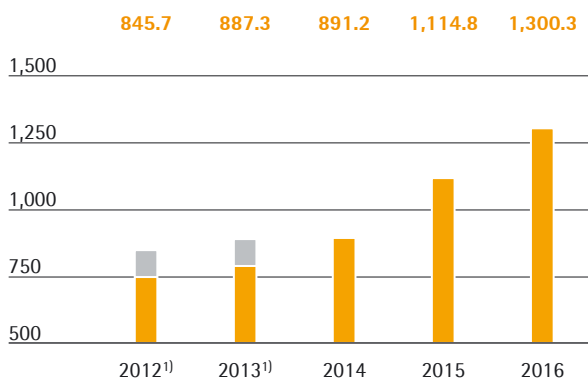
Sales Revenue

In the reporting year, the Sartorius Group developed very dynamically again, recording double-digit gains. Sales revenue thus rose 18.2% in constant currencies to €1,300.3 million. On a reported basis, i.e., including currency effects, sales grew by 16.6%. Sartorius therefore reached the upper end of its forecast that was considerably raised at mid-year.

For a full comparison of the Group's business development with its forecast, see page 48.

Sartorius Group Sales Revenue 2012 – 2016

€ in millions



¹⁾ Including sales revenue of discontinued operations

Sales Revenue and Order Intake

€ in millions	2016	2015	Δ in % reported	Δ in % wb ¹⁾
Sales revenue	1,300.3	1,114.8	16.6	18.2
Order intake	1,334.7	1,172.7	13.8	15.3

¹⁾ In constant currencies

Positive Sales Development in Both Divisions

The Bioprocess Solutions Division was the major growth engine yet again, recording strong double-digit gains. In a continued dynamic market environment the division's sales revenue rose 22.1% to €975.0 million driven by all product segments. Acquisitions contributed around 2 percentage points to the division's growth.

The Lab Products & Services Division also saw positive business development, recording sales growth of 7.9% to €325.3 million for the year under review. Towards mid-2016, the division expanded its portfolio into bioanalytics by acquiring IntelliCyt and ViroCyt. These contributed around 3 percentage points to the division's growth.

Sales by Division

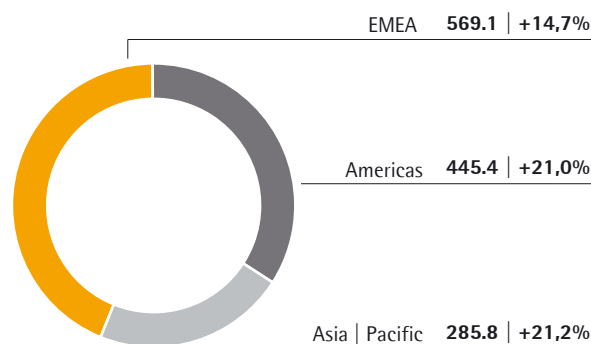
€ in millions	2016	2015	Δ in % reported	Δ in % cc
Bioprocess Solutions	975.0	809.2	20.5	22.1
Lab Products & Services	325.3	305.5	6.5	7.9

Further information on the business development of the Group divisions is given on pages 40 et seq. for the Bioprocess Solutions Division and on pages 44 et seq. for the Lab Products & Services Division.

Significant Gains in All Regions

Sales Revenue and Growth¹⁾ by Region²⁾

€ in millions unless otherwise specified



¹⁾ In constant currencies

²⁾ Acc. to customers' location

In the reporting year, Sartorius achieved double-digit growth in sales in all regions. In EMEA, the region contributing the highest share of revenue of around 44%, sales rose 14.7% to €569.1 million. While the Bioprocess Solutions Division grew by 18.6%, sales revenue for the Lab Products & Services Division was up 5.9% year over year.

The Americas region, which accounted for around 34% of consolidated sales revenue in 2016, is a focus of Sartorius' growth strategy due to the region's high market potential. In the reporting year, Sartorius continued its dynamic growth in this region, with a gain of 21.0% to €445.4 million. The most recent acquisitions contributed an above-average share to this growth. In the world's largest biopharmaceutical market, the Bioprocess Solutions Division's single use portfolio gained further market share according to our estimates, recording an increase of 21.8%. Due to strong organic expansion and to the acquisitions previously mentioned, the Lab Products & Services Division also rose substantially by 17.3%.

Business development for the Asia | Pacific region that accounts for around 22% of Group revenue was also highly dynamic in the reporting year, with sales up 21.2% to €285.8 million. Sales revenue for the Bioprocess Solutions Division rose sharply by 31.0%, partly because of strong demand for equipment. The Lab Products & Services Division reported an increase of 4.7% for the reporting period following double-digit gains in the prior year. All growth rates in constant currencies unless otherwise stated.

Sales by region

€ in millions	2016	2015	in % reported	in % cc
EMEA	569.1	505.5	12.6	14.7
Americas	445.4	371.7	19.8	21.0
Asia Pacific	285.8	237.6	20.3	21.2

Development of Costs and Earnings

In the reporting year, the cost of sales stood at €668.5 million. In comparison with sales revenue growth of 16.6%, the cost of sales increased slightly overproportionately by 18.7%. This was due to product mix effects and higher depreciation owing to investments in capacity expansion. The cost of sales ratio was 51.4% relative to 50.5% a year ago.

Selling and distribution costs rose underproportionately relative to sales revenue, by 13.6% to €256.7 million. Accordingly, the ratio of selling and distribution costs to sales revenue decreased from 20.3% in the previous year to 19.7%.

Expenses for research and development rose in the reporting year by 13.2% to 59.4 million. This equates to 4.6% of sales revenue, down slightly from the prior-year level of 4.7%.

Concerning general administrative expenses, we reported a 13.7% increase to €74.7 million, which can be attributed especially to the expansion of specific functional areas, such as IT in connection with the implementation of our mid-term strategy. In relation to sales revenue, general administrative expenses dropped from 5.9% in 2015 to 5.7% in the reporting year.

In fiscal 2016, the balance of other operating income and expenses was -€20.6 million relative to -€15.3 million a year earlier. This year-on-year change was driven particularly by extraordinary items that totaled -€30.7 million in the reporting year (2015: -€12.6 million). These items were essentially incurred by various cross-divisional projects and expenditures related to the most recent acquisitions.

The Group's EBIT increased by 14.6% to €220.5. The Group's EBIT margin was 17.0% due to higher depreciation as well as extraordinary items (2015: 17.3%).

The financial result improved to -€16.4 million in 2016 from -€20.0 million in 2015. This was essentially attributable to lower negative valuation effects from hedging transactions and to reduced interest expenses. In the reporting year, income taxes totaled €59.14 million (2015: €55.0 million). The company's tax rate was 29.0% after 31.9% in the year before.

Net profit for the period was €145.0 million (2015: €165.7 million). The year-earlier figure includes earnings of €40.8 million contributed by the sale of the Industrial Technologies Division in the first quarter of 2015.

Net profit attributable to shareholders of Sartorius AG amounted to €102.9 million in the reporting year relative to €126.3 million in 2015. Non-controlling interest stood at €42.1 million (2015: €31.9 million), which essentially reflected shares in Sartorius Stedim Biotech S.A. not held by the Sartorius Group.

Statement of Profit or Loss

€ in millions	2016	2015	in %
Sales revenue	1,300.3	1,114.8	16.6
Cost of sales	-668.5	-563.0	-18.7
Gross profit on sales	631.8	551.7	14.5
Selling and distribution costs	-256.6	-225.9	-13.6
Research and development costs	-59.4	-52.5	-13.2
General administrative expenses	-74.7	-65.7	-13.7
Other operating income and expenses	-20.6	-15.3	-34.9
Earnings before interest and taxes (EBIT)	220.5	192.3	14.6
Financial income	5.7	6.6	-14.6
Financial expenses	-22.0	-26.6	17.2
Financial result	-16.4	-20.0	18.1
Profit before tax	204.1	172.4	18.4
Income taxes	-59.1	-55.0	-7.5
Profit after tax from continuing operations	145.0	117.4	23.5
Profit after tax from discontinued operation	0.0	40.8	-
Net profit for the period	145.0	158.2	-8.4
Attributable to:			
Equity holders of Sartorius AG	102.9	126.3	-18.5
Non-controlling interest	42.1	31.9	31.7

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 161.

Reconciliation from EBIT to Underlying EBITDA

€ in millions	2016	2015
EBIT	220.5	192.3
Extraordinary items	30.7	12.6
Amortization depreciation	74.2	58.3
Underlying EBITDA	325.4	263.2

In fiscal 2016, the Sartorius Group increased its earnings overproportionately yet again. Its underlying EBITDA thus rose considerably by 23.6% to €325.4 million. The Group's respective underlying EBITDA margin improved, due to economies of scale, from 23.6% to 25.0%, thus reaching our forecast raised at mid-year.

	Underlying EBITDA € in millions	Underlying EBITDA margin in %
Group	325.4	25.0
Bioprocess Solutions	273.5	28.0
Lab Products & Services	51.9	16.0

The Bioprocess Solutions Division increased its underlying EBITDA overproportionately relative to sales revenue by 27.5% from €214.5 million to €273.5 million. This gain was driven by sales-related economies of scale. The division's margin reached 28.0% following on 26.5% in the previous year. The Lab Products & Services Division also increased its earnings. Its underlying EBITDA was up year over year by 6.5% from €48.8 million to €51.9 million. The division's earnings margin of 16.0% was at the prior-year level due to temporary dilutive effects related to the acquisitions of IntelliCyt and ViroCyt.

Relevant Net Profit

The relevant net profit attributable to the shareholders of Sartorius AG rose 23.5% from €107.4 million in 2015 to €132.6 million in 2016. This figure is the basis for calculating the profit to be appropriated and is calculated by adjusting for extraordinary items and eliminating non-cash amortization, and is based on the normalized financial result as well as the corresponding tax effects for each of these items. The respective underlying earnings per ordinary share climbed by 23.0% to €1.93, up from €1.57 a year earlier, and by 23.3% per preference share to €1.94 euros, up from €1.58 euros a year ago. The prior-year figures were adjusted according to the stock split completed on June 13, 2016.

€ in millions	2016	2015
EBIT	220.5	192.3
Extraordinary items	30.7	12.6
Amortization	19.9	16.0
Normalized financial result ¹⁾	-13.6	-14.2
Normalized income tax (2016: 30%, 2015: 30%) ²⁾	-77.3	-62.0
Underlying earnings	180.3	144.7
Non-controlling interest	-47.7	-37.4
Underlying earnings after taxes and non-controlling interest	132.6	107.4
Underlying earnings per share		
per ordinary share (in €)	1.93	1.57
per preference share (in €)	1.94	1.58

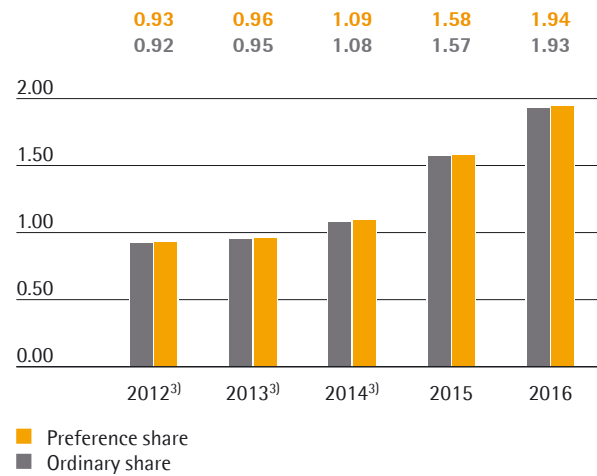
¹⁾ Financial result excluding fair value adjustments of hedging instruments and non-periodic expenses and income

²⁾ Underlying income tax, based on the underlying profit before taxes and non-cash amortization

Further information on earnings development and extraordinary items for the Group divisions is given on pages 40 et seq. and 44 et seq.

Underlying Earnings per Share¹⁾²⁾

in €



¹⁾ Adjusted for extraordinary items and non-cash amortization, based on the normalized financial result, including the corresponding tax effects

²⁾ 2012 to 2015 adjusted for stock split; rounded values

³⁾ Including discontinued operation

Research and Development

Sartorius continually invests in both new and advanced product development of its portfolio as well as the integration of new products through alliances. Spending on research and development (R&D) amounted to €59.4 million during the reporting year, which represents a year-on-year increase of 13.2% (2015: €52.5 million). Owing to significantly higher sales, the ratio of R&D costs to sales revenue stood at 4.6%, which is about the same level as last year's 4.7%.

The IFRS require that certain development costs be capitalized on the balance sheet and then amortized over subsequent years. During the reporting year, these development investments amounted to €18.3 million compared with €12.3 million the year before. This equates to a share of 23.5% (2015: 18.9%) of the Group's total R&D expenses. Amortization related to capitalized development costs totaled €9.4 million during the reporting period (2015: €5.5 million). These expenses are disclosed in the cost of sales.

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

In 2016, we filed a total of 158 applications for intellectual and industrial property rights (2015: 127). As a result of these applications, including those of prior years, we were issued 257 patents and trademarks during the reporting year (2015: 264). As of the balance sheet date, we had a total of 3,416 patents and trademarks in our portfolio (2015: 3,190).

Further information is provided in the sections covering the individual divisions on pages 40 et seq. and 44 et seq.

Capital Expenditures

The Sartorius Group increased capital expenditures considerably from €113.1 million in 2015 to €152.1 million in the reporting year. The ratio of capital expenditures to sales revenue was 11.7% (previous year: 10.1%), in line with our expectations adjusted to reflect that we started to increase production capacities earlier and to a greater extent than initially planned.

Owing to its strong organic growth, Sartorius made above-average investments during the reporting year in its production capacities. For instance, we expanded our filter production at our Goettingen site and began earlier than originally planned to build significant additional capacity for filters and bags at our facility in Yauco. Moreover, two new production buildings for laboratory products were put in operation in the period under review in Goettingen and in Stonehouse.

The multi-year project for consolidating and expanding Sartorius Group headquarters in Goettingen also continued to progress on schedule in 2016.

In addition, we rolled out our new ERP system at our locations in France, Belgium and Tunisia during the year 2016.

Employees

The numbers of employees reported include all staff members of the Sartorius Group, except for vocational trainees, interns, employees on extended leaves of absence and those participating in an early retirement plan. Numbers are reported as head counts.

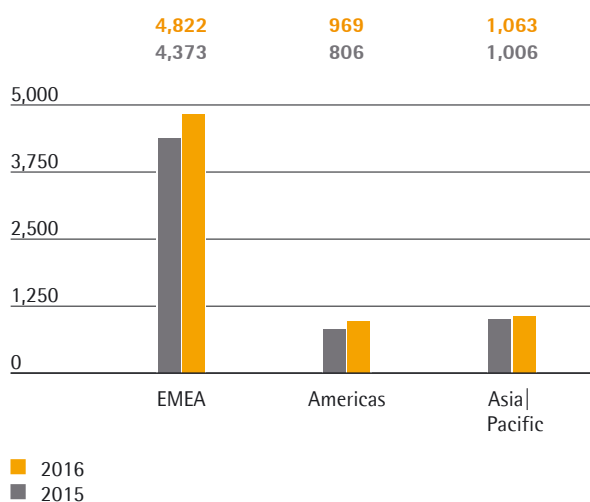
On December 31, 2016, the Sartorius Group employed 6,911 people in 28 countries – 726 or 11.7% more than in the previous year. These figures include 77 employees who joined the Group in the reporting year from the acquisitions of the three companies IntelliCyt, ViroCyt and kSep.

Employees

	2016	2015	Growth in %
Group	6,911	6,185	11.7
Bioprocess Solutions	4,584	4,030	13.8
Lab Products & Services	2,327	2,155	8.0

In the Bioprocess Solutions Division, 554 more people were employed as of the end of the reporting year than at year-end 2015. This gain of 13.8% was primarily due to the division's strong growth, which resulted in the hiring of new staff across all functions. In the Lab Products & Services Division, 172 people or 8.0% joined our staff, mainly as a result of the acquisitions of IntelliCyt and ViroCyt. Employees in central administrative functions were allocated to the divisions in proportion to cost of the services they performed during the year.

Employees by Region

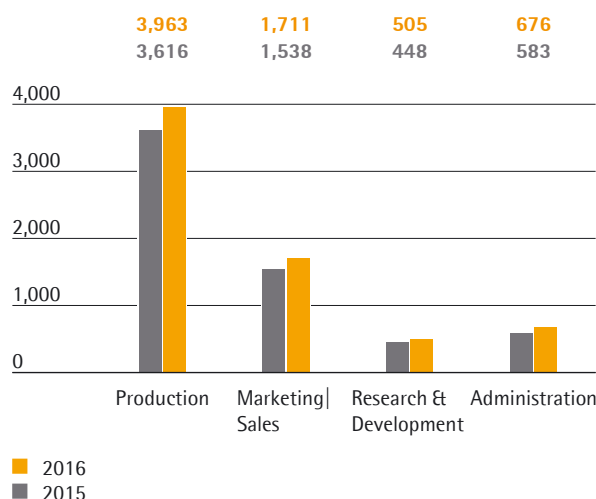


Regionally, EMEA with the highest number of employees added 10.9% new staff. A significant part of the 478 additional employees were hired for strongly expanding Cellca and BioOutsource acquired in 2015, as well as for the IT unit in Goettingen, Germany. As of the end of the reporting year, Sartorius employed 2,624 people in Germany, or 38.0% of the total Group workforce, of which most staff members work at the Goettingen-based headquarters.

The Americas region charted an increase of 23.0% or 185 new people. Close to half of the staff who joined are from the three U.S. companies acquired in the reporting year. Additional employees were hired more-over in production, marketing and sales as well as in IT.

The number of employees in the Asia | Pacific region grew by 6.3% or 63 people.

Employees by Function



When broken down by function, the workforce in production accounted for 57.7% of staff in 2016, slightly below the level of the previous year in which this unit had grown at an above-average rate. In our production headcount, we also include service staff and employees who perform services such as testing as part of our customers' core processes. In 2016, marketing and sales as well as research and development reported an increase in staff of 12.0% and 16.5%, respectively. As a result, the percentage of Group's employees worked in marketing and sales remained unchanged at 24.9%; in R&D the percentage was at 7.6% compared to 7.2% in 2015. Administrative employees increased 16.3% year over year.

This was attributed especially to the reinforcement of personnel in our IT unit. The percentage of administrative employees of our total Group workforce was at 9.8% (2015: 9.4%).

The following evaluations do not include the 72 staff members of the two companies acquired in 2016, IntelliCyt and ViroCyt.

Employees by Age

	Number	2016 in %	Number	2015 in %
16 –20 years	26	0.4	27	0.4
21 –30 years	1,550	22.7	1,355	22.4
31 –40 years	2,105	30.8	1,789	29.6
41 –50 years	1,640	24.0	1,522	25.1
51 –60 years	1,282	18.7	1,163	19.2
61 years and above	236	3.4	197	3.3

Regarding the age structure of our staff, the group in the 31- to 50-year age bracket accounts for over the half of our workforce. In the reporting year, the average age was 40.4, slightly lower than the previous year's average of 40.5 years.

As of December 31, 2016, 4,200 men and 2,639 women were employed by the Sartorius Group. The percentage of women in the total workforce has been continuously increasing for years and, at year-end 2016, was 38.6%, 0.7 percentage points more than 2015. The proportion of women at the first and second levels of management below the Executive Board was 24.3%, slightly above the previous year's rate.

For more information on employees, please refer to the Sartorius Sustainability Report starting at p. 86.

Net Worth and Financial Position

Cash Flow

In fiscal 2016, net cash flow from operating activities for the Sartorius Group was €170.4 million relative to €125.4 million a year ago. This equates to growth of €35.9%, which was primarily driven by the positive development of earnings. The predominantly growth-induced increase in working capital and higher tax payments had an opposite effect. By contrast, the year-earlier figure was impacted by the termination of the company's factoring program.

Cash outflows from investing activities were €148.8 million, 34.5% higher than a year ago. The majority of these outflows were related to the expansion of production capacities at various Group sites, as well as to the combination of different plants at one Group headquarters in Goettingen, Germany, and its extension (Link to Investments). As in the year before, the Sartorius Group thus financed its investments from operating cash flows.

Cash outflows of €119.5 million were related to acquisitions of the companies IntelliCyt, ViroCyt and kSep in the fiscal year ended December 31, 2016. The cash inflow reported for the prior-year of €19.2 million reflects the divestiture of the Industrial Technologies Division as well as the acquisitions of BioOutsource and Cellca.

On the whole, net cash flow from investing activities and acquisitions|divestitures was -€268.2 million relative to -€91.4 million in the comparable period.

Net cash flow from financing activities, which amounted to €107.4 million (2015: -€40.8 million), is predominantly attributable to the financing of the acquisitions mentioned above. Furthermore, the payment of dividends for fiscal 2015 is included in this figure.

Cash Flow Statement Summary

€ in millions	2016	2015
Net cash flow from operating activities	170.4	125.4
Of which discontinued operation	0.0	1.0
Net cash flow from investing activities and acquisitions	-268.2	-91.4
Of which discontinued operation	0.0	72.9
Net cash flow from financing activities	104.7	-40.8
Cash and cash equivalents	62.0	52.8
Gross debt	547.9	396.8
Net debt	485.9	344.0

Consolidated Statement of Financial Position

The balance sheet total of the Sartorius Group was €1,753.0 million as of the end of fiscal 2016 or €315.8 million above the previous year's figure of €1,437.2 million.

Non-current assets rose €205.5 million to €1,165.4 million due to investments and acquisitions made in the reporting year.

Current assets at €587.6 million were €110.2 million higher than in the previous year, particularly because of the buildup in working capital.

Key Figures for Working Capital

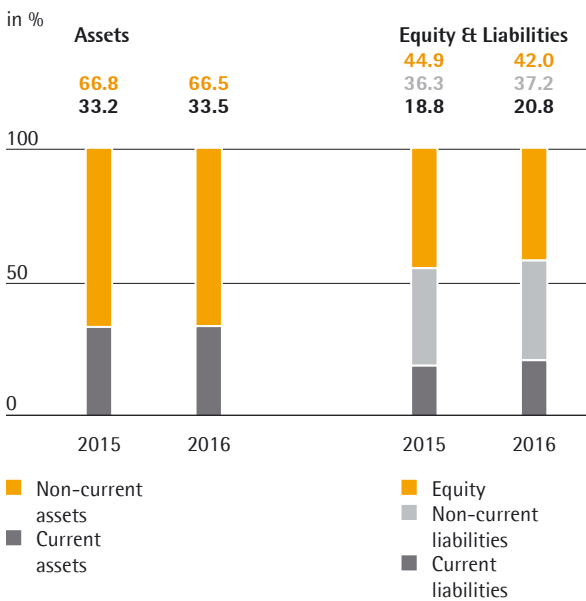
in days		2016	2015
Days inventory outstanding			
Inventories Sales revenue	x 360	61	61
Days sales outstanding			
Trade receivables Sales revenue	x 360	66	62
Days payables outstanding			
Trade payables Sales revenue	x 360	33	37
Net working capital days			
Net working capital ¹⁾ Sales revenue	x 360	94	87

¹⁾ Sum of inventories and trade receivables less the trade payables

Equity increased, driven by earnings, from €644.8 million to €736.8 million. The equity ratio for the Sartorius Group of 42.0% (2015: 44.9%) continued to remain at a comfortable level.

Current and non-current liabilities for the Sartorius Group rose from €792.5 million a year ago to €1,016.2 million in the reporting year. Above all, the acquisitions previously mentioned, as well as the mainly growth-induced increase in working capital, contributed to this figure.

Balance Sheet Structure

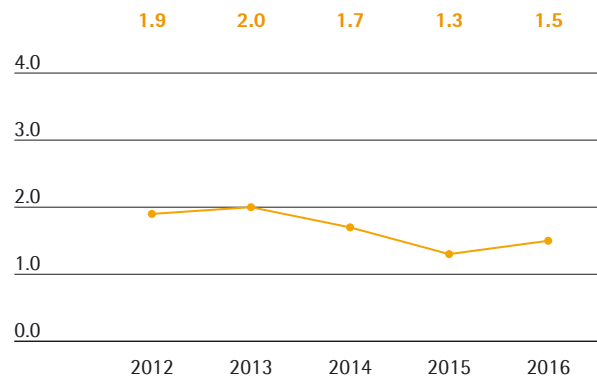


At the end of fiscal 2016, gross debt stood at €547.9 million relative to €396.8 million in fiscal 2015 and is comprised of liabilities to banks, including note loans ("Schuldscheindarlehen"), as well as liabilities from finance leases. Net debt, defined as gross debt less cash and cash equivalents, rose from €344.0 million a year ago to €485.9 million.

Ratio of Net Debt to Underlying EBITDA

Regarding the Sartorius Group's debt financing capacity, the ratio of net debt to underlying EBITDA is a key financial ratio that is calculated as the quotient of net debt and underlying EBITDA over the last twelve months. As of December 31, 2016, it was 1.5 relative to 1.3 a year earlier and thus within the range of our forecast adjusted to allow for acquisitions.

Ratio of Net Debt to Underlying EBITDA¹⁾²⁾



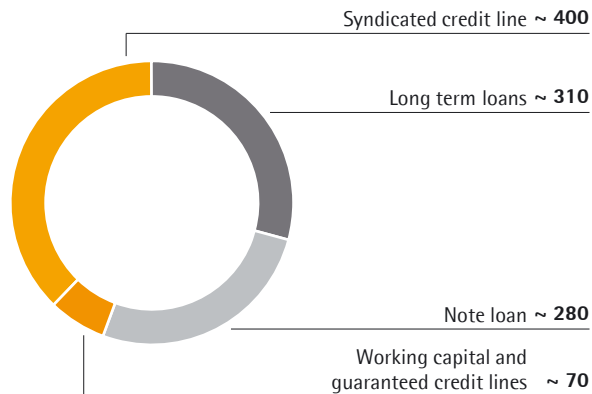
¹⁾ Underlying
²⁾ Including discontinued operation 2011 - 2014

Financing | Treasury

The Sartorius Group is financed on a well-diversified basis, which covers both its short-term cash requirements and its long-term strategy.

Main Financing Instruments

€ in millions



A major pillar of this financing is the syndicated credit line of €400 million whose maturity term was extended in the reporting year up to December 2021.

In addition to the note loan ("Schuldscheindarlehen") that was placed in 2012 and had a 2016 year-end volume of around €80 million, the company extended its financing by a further €200 million note loan with maturities of 5, 7 and 10 years. Moreover, several long-term loans amounting to around €310 million are available to expand our production capacities, among other projects. Beyond these loans, we have diverse working capital and guaranteed credit lines totaling around €70 million.

The financing instruments mentioned above for the Sartorius Group comprise those with both fixed and variable interest rates. We pursue the strategy of using floating rate bank liabilities to hedge in part against an increase in the general interest rate level.

As a consequence of its global business activities, the Sartorius Group is exposed to fluctuations in foreign exchange rates. The main foreign currencies include the U.S. dollar as well as the Japanese yen, British pound and the Swiss franc. Using its global manufacturing network with production facilities in North America, the U.K., China and India, among other places, Sartorius can compensate for the majority of currency fluctuations by natural hedging.

We generally hedge around two-thirds of our remaining net currency exposure over a time horizon of up to about 1.5 years through suitable currency transactions.

Business Development of Bioprocess Solutions

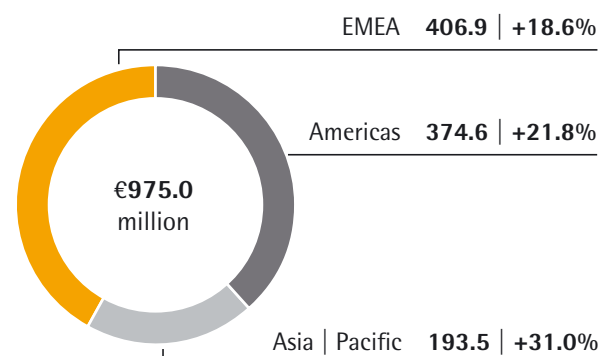
- > Significant double-digit increases in sales revenue and earnings
- > Further market share gains in a continued dynamic market environment
- > Portfolio expansion by the acquisition of kSep Systems

Key Figures

€ in millions	2016	2015	Δ in %
Sales revenue	975.0	809.2	22.1 ¹⁾
Order intake	1,006.5	869.9	17.2 ¹⁾
Underlying EBITDA	273.5	214.5	27.5
as a % of sales	28.0	26.5	
Employees as of Dec.31	4,584	4,030	13.8

Sales Revenue and Growth by Region¹⁾

€ in millions, unless otherwise specified



Products for Biopharmaceutical Manufacture



Filters for sterilization of biopharmaceutical media



Single-use bag for cell cultivation and storage of biopharmaceuticals



Single-use-based, multi-parallel bioreactor system for process development



Culture media and buffers for cell cultivation



Fully automated single-use centrifuge for cell harvesting



Single-use bioreactor systems for cell cultivation processes of up to 2,000 L

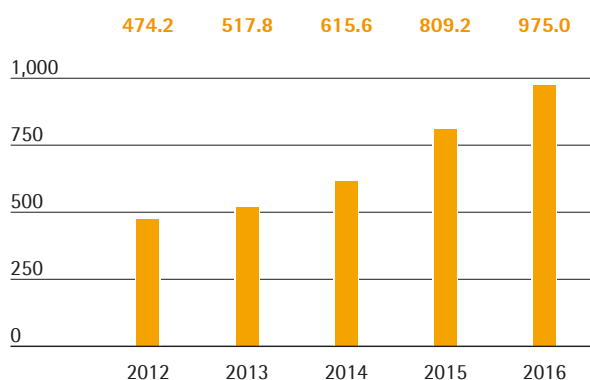
¹⁾ In constant currencies

Sales Revenue

In fiscal 2016, the Bioprocess Solutions Division showed especially strong growth yet again, with sales increasing by 22.1% to €975.0 million. The division thus reached the upper end of our full-year forecast that we had raised toward the mid-year partly due to some larger equipment orders. Within an ongoing dynamic market, the division grew organically by around 20% and reported double-digit growth across the entire portfolio. Acquisitions added around 2 percentage points to the division's growth.

Sales Revenue 2012 to 2016

€ in millions



Sales Revenue and Order Intake

€ in millions	2016	2015	Δ in % reported	Δ in % cc
Sales revenue	975.0	809.2	20.5	22.1
Order intake	1,006.5	869.9	15.7	17.2

All regions reported double-digit growth rates and thus contributed to the expansion of the division's revenue. EMEA, the region generating the highest sales accounting for around 42% of the division's revenue, reported an increase in sales by 18.6% to €406.9 million. In the Americas region, which represented around 38% of sales revenue, the division gained further market share according to our estimates, with an increase in sales by 21.8% to €374.6 million. The Asia | Pacific region, which accounted for around 20% of the division's sales, also performed very dynamically. Partly driven by strong demand for equipment, sales for this region rose significantly by 31.0% to €193.5 million.

Sales by region

€ in millions	2016	2015	Δ in % reported	Δ in % cc
EMEA	406.9	349.6	16.4	18.6
Americas	374.6	310.4	20.7	21.8
Asia Pacific	193.5	149.2	29.7	31.0

Overproportionate Increase in Earnings

In the reporting year, the Bioprocess Solutions Division yet again advanced its earnings overproportionately relative to sales. Driven by economies of scale, its underlying EBITDA thus increased substantially by 27.5% from €214.5 million to €273.5 million. As forecasted towards the middle of the year, the division's respective margin rose from 26.5% to 28.0%.

Underlying EBITDA and EBITDA Margin

	2016	2015
Underlying EBITDA in € millions	273.5	214.5
Underlying EBITDA margin in %	28.0	26.5

The division recorded extraordinary items of - €20.1 million in the reporting year relative to - €8,2 million a year ago. Products and Sales

Product and Sales

The product portfolio of the Bioprocess Solutions Division covers virtually all steps in biopharmaceutical production processes, and increasingly preceding process development as well. It includes cell cultivation media, cell lines, bioreactors, a wide range of products for separation, purification and concentration, and systems for the storage and transport of intermediate and finished products. We also offer an extensive range of services to support our customers in complying with regulatory requirements.

Bioprocess Portfolio Extended Further

During the reporting year, the Bioprocess Solutions Division launched new products on the market along with new generations of existing product lines.

One example is a new filter especially for viruses in cell culture media. It enables efficient virus filtration in advance of the fermentation process, thus reducing the risk of contamination.

In 2016 we also launched of a new fermentation system for process development. It allows the parallel operation of up to eight single-use bioreactors, offers a high level of predictability with regard to later large-scale production, and thus significantly increases the productivity of process development.

Moreover, the division introduced an integrated technology platform for developing cell culture processes. It consists of cell lines, cell culture media, bioreactors and analytical services, and combines these elements into a holistic solution that covers the entire upstream process of our customers.

Single-Use Portfolio complemented through Acquisition

With the acquisition of the U.S. start-up kSep Systems, the Bioprocess Solutions Division supplemented its offering of single-use solutions with an innovative technology for cell harvesting. kSep's fully automated single-use centrifuges enable the separation and concentration of cells in a very short time.

Sales Activities Expanded

The Bioprocess Solutions Division markets its product portfolio directly through its own field sales force. Sales activities for key accounts are coordinated and supported by a global key account management. As part of our regional initiatives for implementing the mid-term strategy, we stepped up our sales activities in North America during the year under review. Thus, we opened a new laboratory for bioanalytical services in Boston, where biologic substances can be tested for safety and quality on behalf of our customers. Another laboratory in South Korea is currently in planning. Moreover, Sartorius has nearly completed the implementation of its new CRM system in Europe and North America, and thus can run its processes even more efficient.

Research and Development

Our research and development (R&D) activities encompass both new and advanced in-house product developments in our own core technologies as well as the integration of new products through alliances. Sartorius' aims at helping its customers to continually optimize their processes and steadily increase their efficiency.

In-house research and development at Sartorius focuses in particular on the following technology areas: membranes, which are the core component of all types of filter products; various base technologies such as single-use bags and sensors; and control technologies, for instance for fermentation. We increasingly pursue the approach of linking our single technologies to develop new products and solutions. Owing to our broad product portfolio, we have extensive expertise in the development of bioprocess applications.

During the reporting year, one focus of our R&D activities was the development of a new software platform for the control of individual process steps. It enables the generation of consistent data in real time for optimized monitoring and control of upstream and downstream processes from laboratory scale all the way to commercial production.

In the area of single-use fermentation, we worked on a new generation of our scalable bioreactor family STR. It allows the fermentation of volumes from 12.5 to 2,000 liters, and combines a user-friendly design with our innovative Flexsafe bags and improved sensors.

From a regional perspective, the largest R&D site is located at our headquarters in Goettingen, with other key R&D activities taking place in Aubagne, Guxhagen, Bangalore and Royston.

Production and Supply Chain Management

The Bioprocess Solutions Division operates a well developed global production network with plants in Europe, North America and Asia. The largest production sites are located in Germany, France and Puerto Rico. Moreover, Sartorius has manufacturing operations in the UK, Switzerland, Tunisia, India and the USA.

Each of our production sites basically serves as a center of competence for particular technologies. The Group's plant in Goettingen, for example, concentrates chiefly on the production of membrane filters, whereas the Aubagne and Mohamdia sites primarily manufacture single-use bags. Our plant in Yauco supplies both membrane filters and single-use bags principally for the U.S. market. The Guxhagen site specializes in bioreactors and other systems for bioprocess applications. It collaborates closely with the Bangalore site, which mainly produces stainless steel components for these systems.

Expansion of Production Capacity

Against the backdrop of the dynamic growth in the bioprocess business, Sartorius increased and accelerated the expansion of its production capacities compared to its initial plans. Thus, we began to work on a significant expansion of production capacities for single-use bags and filters at our plant in Yauco. Moreover, the company expanded its membrane production at the Goettingen site.

Business Development of Lab Products & Services

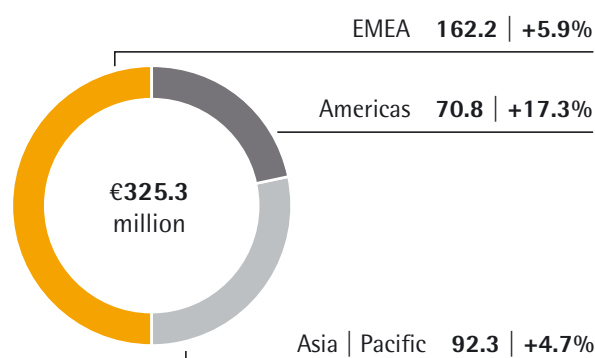
- > Positive business development continues
- > Strong demand especially for laboratory consumables
- > Expansion of the bioanalytics portfolio by the acquisition of IntelliCyt and ViroCyt

Key Figures

€ in millions	2016	2015	Δ in %
Sales revenue	325.3	305.5	7.9 ¹⁾
Order intake	328.1	302.8	9.9 ¹⁾
Underlying EBITDA	51.9	48.8	6.5
as a % of sales	16.0	16.0	
Employees as of Dec.31	2,327	2,155	8.0

Sales Revenue and Growth by Region¹⁾

€ in millions, unless otherwise specified



Products for Laboratories in Quality Assurance and Research



Laboratory balances for reliable and convenient weighing processes



Syringe filters for analytical sample preparation and sterile filtration



The lightest and smallest electronic pipette on the market



Innovative system for virus quantification



Filter membranes for microbiological testing in the lab



Cell screening platform that has already won several awards

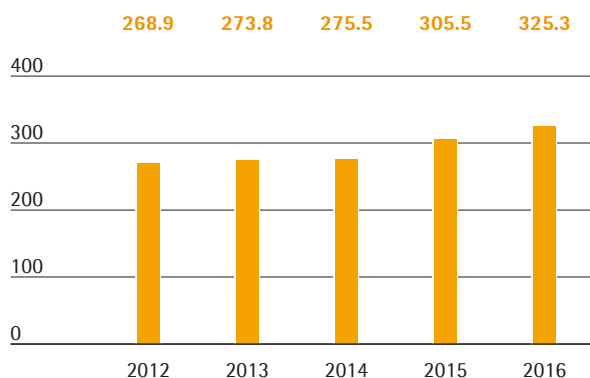
¹⁾ In constant currencies

Sales Revenue

In the reporting year, the Lab Products & Services Division showed positive development, with sales revenue up 7.9% to €325.3 million. Sales were thus within our forecast range that we had adjusted at the mid-year stage due to the acquisitions of IntelliCyt and ViroCyt. These acquisitions contributed around 3 percentage points to growth. Organic growth for the division was around 5% in fiscal 2016 driven by, inter alia, strong demand for consumables, such as lab filters and microbiological tests.

Sales Revenue 2012 to 2016

€ in millions



Sales Revenue and Order Intake

€ in millions	2016	2015	Δ in % reported	Δ in % cc
Sales revenue	325.3	305.5	6.5	7.9
Order intake	328.1	302.8	8.4	9.9

In EMEA, the region contributing the highest share of revenue of around 50%, the division achieved a 5.9% increase in sales, despite moderate economic growth in the reporting year, to €162.2 million. The Americas region, whose share of revenue rose to around 22%, reported the highest growth dynamics, recording a 17.3% increase in sales to €70.8 million. Besides an excellent organic performance, the acquisitions previously mentioned contributed above-average to the region's growth. The Asia | Pacific region, which accounts for a good 28% of business for the Lab Products & Services Division, reported an increase of 4.7% to €92.3 million against double-digit comparables a year ago.

Sales by region

€ in millions	2016	2015	Δ in % reported	Δ in % cc
EMEA	162.2	155.9	4.1	5.9
Americas	70.8	61.2	15.6	17.3
Asia Pacific	92.3	88.4	4.4	4.7

Earnings

The Lab Products & Services Division increased its underlying EBITDA in the reporting period by 6.5% from €48.8 million to €51.9 million. The division's corresponding margin was as forecasted at mid-year at 16%. The temporary dilutive effect on earnings related to the acquisitions of IntelliCyt and ViroCyt counteracted as expected positive economies of scale. Without this dilutive effect, the division's EBITDA margin in 2017 would have been about 1 percentage point higher.

Underlying EBITDA and EBITDA margin

	2016	2015
Underlying EBITDA in € millions	51.9	48.8
Underlying EBITDA margin in %	16.0	16.0

The division recorded extraordinary items of - €10.6 million in the reporting year relative to - €4,5 million a year ago.

Products and Sales

The Lab Products & Services Division focuses on research and quality assurance laboratories, particularly in the pharmaceutical and biopharmaceutical sectors, as well as on academic research institutes.

Its product portfolio is used especially for sample preparation and other standard applications, and comprises laboratory instruments such as balances, pipettes and bioreactors along with consumables such as laboratory filters and microbiological tests. Extensive services complement the portfolio.

The division sells its products through three channels: laboratory dealers, direct sales and e-business. The dealer sales channel is well established; direct sales and the digital channels are being expanded continually.

New Products for Efficient Lab Work

In 2016, the division extended its products range for sample preparation. For instance, we introduced the new ultrapure water system arium mini. With its single-use bagtank system, it ideally fulfills lab requirements for consistently high water quality for reproducible results. Our new, syringeless filter system Claristep enables laboratory customers to remove particles easily and conveniently without a vacuum source or power supply.

Portfolio Expanded into Bioanalytics

During the reporting year, Sartorius expanded its laboratory business to include two innovative and complementary technologies. With the acquisition of the companies IntelliCyt and ViroCyt, the division has extended its bioanalytics offering and strengthened its position in particular with biopharmaceutical customers and life science research institutes.

IntelliCyt's award-winning cell analysis platform consists of instruments, software and reagents that are integrated to enable the generation of significantly more information on cell properties and reactions in less time than established technologies. This cell information represents an important basis for the development of new medications.

ViroCyt offers an automated system that integrates instruments, software and reagents for virus quantification applications. It delivers precise results much

faster than traditional methods for quantifying viruses and thus enables accelerated research and development in virology.

Both technologies acquired in fiscal 2016 dispose of strong unique selling points (USPs) and we believe they offer high growth potential.

Broad Range of Services

The Lab Products & Services Division offers a wide range of services covering the entire life cycle of laboratory products, from device installation and commissioning to verification, calibration, regular maintenance and repair. Our services are not limited to Sartorius instruments; they are offered for devices from other manufacturers as well. This extensive range enables our customers to minimize the number of service providers and thus reduce complexity and costs.

Wir application laboratories in all regions we offer our customers the opportunity to test our products, even with their own samples, and take training courses.

Continual Expansion of Direct Sales

Sartorius has a strong global market share in major product segments, but for historical reasons its market shares still vary by product group and region. This situation offers significant potential for growth in our view. The products added during the reporting year in the area of bioanalytics offer strong USPs, but are still in an early phase of market penetration. We plan to use our global sales platform to accelerate the penetration of these technologies across the global laboratory market.

The division has reorganized its distributor sales, and is continually expanding both its direct sales and its eBusiness platform to realize its organic growth potential.

Besides expanding our sales structures we also focus on ongoing improvements in sales efficiency. For example, a number of administrative duties have been moved to our inhouse sales, enabling our field sales force to focus more closely on contact with customers. In addition, account management was introduced for biopharmaceutical customers and large research institutes with high sales potential. The lab division is also benefiting from the strong customer access established with biopharmaceutical companies by the Bio-

process Solutions Division. Moreover, we nearly completed the implementation of a cross-divisional CRM system in Europe and America.

Moreover, as part of our direct sales activities, we are stepping up our involvement in scientific conferences and hosting our own events, such as the European Lab Technology Forum that Sartorius held for the first time in 2015 in Goettingen.

The ongoing expansion of our e-business is intended to help us reach customers not directly served by our sales organization, and to support our lab distributors logistically. Beyond merely fostering electronic sales, we aim to provide product information clearer and more extensively through electronic channels. Moreover, the lab division increasingly uses digital communication channels such as social media and apps that support dialog with customers. One example is the new marketing campaign #passionforscience. The web-based product information system we introduced in 2015 serves as a new platform for our e-business activities.

Research & Development

Within the scope of its laboratory business, Sartorius has extensive technological expertise in the area of weighing technology, liquid handling, software development for laboratory instruments, and laboratory consumables. During the year under review, we added a further technology focus in bioanalytics through acquisitions.

Most of the division's R&D takes place centrally at the Goettingen site, but additional R&D activities are pursued at our facilities in Helsinki, Stonehouse and Albuquerque.

Products and services from Sartorius help users make laboratory processes more productive, efficient as well as safer. Compliance with regulatory requirements is critical. Product development priorities for Sartorius therefore include data management, connectivity and process automation.

For example, special software routines already guide laboratory employees through work processes and transfer measurement and process data to laboratory management systems. Intuitive user interfaces in laboratory instruments enable safer and faster work.

The Lab Products & Services Division collaborates closely with industrial and academic technology partners in addition to pursuing its own R&D. In this context, we increasingly participate in scientific conferences and conduct own events.

Production and Supply Chain Management

The Lab Products & Services Division operates plants in Germany, China, Finland, the U.K. and the U.S. The plants serve as centers of competence and tend to focus on one product group or a small set of product groups. Laboratory balances are manufactured in Goettingen and Beijing, for example, while pipettes are made at our Helsinki and Suzhou sites. Microbiological tests kits are produced in Stonehouse, and most membrane-based products are manufactured in Goettingen.

New Production Facilities Completed

During the reporting year, the construction of two new production facilities was concluded on schedule, and production started.

Thus the laboratory instrument production facility in Goettingen was completed in summer 2016. The building combines two production sites that used to be operated separately. In addition, the calibration center, the prototype manufacturing unit and the training workshop were also brought together here.

In Stonehouse, the rising demand for laboratory consumables led us to expand capacity with the construction of a new production building. In addition to manufacturing a variety of single-use products such as filtration units and laboratory bioreactors, the site functions as a competence center for the manufacture of plastics.

Assessment of the Economic Position

The Sartorius Group's Business Performance

Successfully in fiscal 2016, exceeding the sales and earnings targets it announced at the beginning of the year. In line with the ongoing implementation of the Sartorius 2020 strategic plan, the company expanded its product portfolio during the year under review through three acquisitions. The bioanalytics business of the Lab Products & Services Division was extended through the acquisitions of IntelliCyt and ViroCyt, and the Bioprocess Solutions Division expanded its offer of single-use solutions through the takeover of kSep.

Consolidated sales revenue rose during 2016 by 18.2% in constant currencies. Sartorius thus reached the upper end of the forecast that was increased at mid-year owing to the outstanding development of the Bioprocess Solutions Division and the acquisitions named above. The Group's margin, based on underlying EBITDA, also met our adjusted expectations, rising to 25.0%.

With double-digit increases, the Bioprocess Solutions Division was again the major growth engine and won additional market share in an environment that continued to be dynamic.

Owing to several large equipment projects, the growth of Bioprocess Solutions was even stronger than anticipated at the beginning of the year. The Lab Products & Services Division likewise performed positively during the reporting year and in line with our adjusted expectations given the acquisitions described above.

The ratio of net debt to underlying EBITDA for the last twelve months stood at 1.5 as of December 31, 2016 (2015: 1.3), which was in keeping with our adjusted forecast. As a result, the Sartorius Group continues to have significant financing flexibility to implement its strategy.

In the context of its 2020 strategy, Sartorius is making above-average investments in the expansion of its manufacturing capacities, its IT systems, and in the consolidation and expansion of its Group headquarters in Goettingen, Germany. In 2016, strong growth prompted Sartorius to accelerate the pace at which it is expanding its production capacities, and the company correspondingly increased its forecasted ratio of capital expenditures to sales revenue for the course of 2016.

Projected | Actual Comparison for the year 2016

	Actual 2015	Guidance January 2016	Guidance July 2016	Guidance October 2016	Actual 2016
Sartorius Group					
Sales growth ¹⁾	16.0%	~10% -14%	~15% -18%	~15% -18%	18.2%
Underlying EBITDA margin	23.6%	~+1% ¹⁾	~25% ¹⁾	~25% ¹⁾	25.0%
Ratio of net debt to underlying EBITDA (underlying)	1.3	< 1.3 ²⁾	< 1.6	< 1.6	1.5
CAPEX ratio	10.1%	~10%	~10%	~11.5%	11.7%
Sartorius divisions					
Bioprocess Solutions					
Sales growth ¹⁾	20.9%	~13% -17%	~19% -22%	~19% -22%	22.1%
Underlying EBITDA margin	26.5%	~+1% ¹⁾	~28% ¹⁾	~28% ¹⁾	28.0%
Lab Products & Services					
Sales growth ¹⁾	5.0%	~3% -7%	~6% -9%	~6% -9%	7.9%
Underlying EBITDA margin	16.0%	~+1% ¹⁾	~ 16% ¹⁾	~ 16% ¹⁾	16.0%

¹⁾ In constant currencies

²⁾ Possible acquisitions not included

Annual Financial Statements of Sartorius AG

The retained profit of Sartorius AG is the key reference value for the payment of dividends to our shareholders. Whereas the Sartorius Group financial statements are drawn up according to the International Financial Reporting Standards (IFRS), the annual financial statements for Sartorius AG are prepared by applying the rules and regulations of the German Commercial Code (HGB).

The Management Report of Sartorius AG and the Group Management Report for fiscal 2016 are combined. The HGB annual financial statements of Sartorius AG and the combined management report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

Business Operations, Corporate Strategy, Corporate Management and Oversight, Overview of Business Development

Sartorius AG has exercised only the functions of the strategic, group-leading management holding entity for the Sartorius Group since the beginning of fiscal 2011, and we refer in this connection to the explanatory reports concerning business operations, corporate strategy, corporate management and oversight, as well as the overview of business development, presented on pages 22 et seq. of the combined management report of Sartorius AG and the Group.

Earnings

Sales revenue of Sartorius AG essentially consists of cost transfers to affiliated companies within the Group for management services rendered.

Income from investments of €22.8 million relative to €12.7 million a year ago concern dividends paid out for the French subsidiary Sartorius Stedim Biotech S.A.

The total profit received under profit and loss transfer agreements was €5.5 million. Of this amount, €1.4 million was transferred to Sartorius Corporate Administration GmbH (2015: €0.4 million) and €4.1 million to Sartorius Lab Holding GmbH, compared with a loss of €16.2 million that the latter had accepted in 2015.

Net Worth and Financial Position

The balance sheet total of Sartorius AG rose in the reporting year by €138.3 million to €841.2 million. This increase was primarily due to the acquisitions executed in the USA and investments made at the Goettingen site.

The balance sheet structure of Sartorius AG reflects its function as the management holding entity for the Sartorius Group. Fixed assets consist essentially of financial assets and, in the reporting year, stood unchanged at €441.6 million. Accordingly, fixed assets accounted for 56.4% of the balance sheet total (2015: 65.6%). The equity ratio for fiscal 2016 was 38.4% relative to 46.2% in 2015.

Statement of Profit and Loss of Sartorius AGBased on the total cost accounting method according to Section 275, Subsection 2, of HGB¹⁾

€ in K	2016	2015
1. Sales revenue	6,023	6,747
2. Other operating income	3,226	92,727
3. Employee benefits expense	-5,108	-6,077
4. Depreciation and amortization	-879	-598
5. Other operating expenses	-7,228	-12,673
6. Income from investments	22,817	12,740
7. Profit received under a profit and loss transfer agreement	5,569	0
8. Loss accepted under a profit and loss transfer agreement	0	-15,800
9. Interest and similar income	7,449	4,479
10. Interest and similar expenses	-7,198	-8,364
11. Income tax expense	-2,135	55
12. Ergebnis nach Steuern	22,536	73,237
13. Other taxes	-23	-23
14. Net profit for the period	22,513	73,214
15. Profit brought forward	168,527	121,130
16. Retained profits incl. net profit for the period	191,040	194,344

¹⁾ HGB = German Commercial Code**Balance Sheet of Sartorius AG**According to HGB¹⁾, € in K

Assets	Dec. 31, 2016	Dec. 31, 2015
A. Fixed Assets		
I. Property, plant and equipment	33,190	19,122
II. Financial assets	441,622	441,622
	474,812	460,744
B. Current Assets		
I. Trade and other receivables	363,981	239,954
II. Cash on hand, deposits in banks	278	417
	364,259	240,371
C. Prepaid Expenses	2,109	1,737
	841,180	702,852

Equity and Liabilities	Dec. 31, 2016	Dec. 31, 2015
A. Equity		
I. Subscribed capital	74,880	18,720
Nominal value of treasury shares	-6,492	-1,623
Issued capital	68,388	17,097
II. Capital reserves	52,823	102,759
III. Earnings reserves	10,867	10,867
IV. Retained profits incl. net profit for the period	191,040	194,344
	323,118	325,067
B. Provisions	30,937	32,283
C. Liabilities	487,125	345,502
D. Deferred Tax Liabilities	0	0
	841,180	702,852

¹⁾ HGB = German Commercial Code

Proposal for Appropriation of Profits

The Executive Board will submit a proposal to the Annual Shareholders' Meeting to appropriate the retained profit of €191,039,728.39 reported by Sartorius AG for the year ended December 31, 2016, as follows:

	in €
Payment of a dividend of €0.45 per ordinary share	15,395,500.80
Payment of a dividend of €0.46 per preference share	15,720,991.28
Unappropriated profit carried forward	159,923,236.31
	191,039,728.39

Research and Development

Detailed information about the research and development activities of the Sartorius Group and of its divisions is given on pages 40 et seq. and 44 et seq.

Employees

Sartorius AG as a holding company does not employ any staff to be disclosed pursuant to Section 285, No. 7, of HGB.

Risks and Opportunities

The opportunities and risks affecting the business development of Sartorius AG as the management holding entity are essentially equivalent to those of the Sartorius Group. Sartorius AG shares in the risks to which its investments and subsidiaries are exposed in proportion to the extent of its investment. Where expedient and feasible, we adopted countermeasures and/or arranged for balance sheet measures during the reporting year to cover all discernible risks within Sartorius AG that had the potential to negatively impact our net worth, financial position and profitability.

A detailed Opportunity and Risk Report for the Sartorius Group is provided on pages 53 to 60; a description of the internal control and risk management system, on pages 65 to 66.

Report on Material Events

Please refer to page 64 to read the Report on Material Events for Sartorius AG and the Sartorius Group.

Forecast Report

Earnings trends for Sartorius AG depend substantially on the progress of its subsidiaries and, hence, on the Sartorius Group.

The development of the Sartorius Group's business is discussed in the Forecast Report on pages 61 to 63.

Opportunity and Risk Report

Principles

Every business activity entails opportunities and risks, which have to be managed. The skill with which this is done goes a long way in determining the future development of a company's shareholder value. The central element of risk management is systematic identification and realization of opportunities, as well as avoidance of risks that could jeopardize the success of the company.

In managing risks and opportunities, Sartorius aims to identify and use business opportunities systematically, as well as to recognize and evaluate risks at an early stage and take measures to counter them where possible. It is not the task of risk management to eliminate all risks: rather, our approach is to intentionally take a certain measure of risk in our business activities in order to be successful in unlocking opportunities. However, in this endeavor, it is important to keep risks contained within acceptable limits and to control them carefully. Through appropriate guidelines, we ensure that risk assessments are taken into account in the decision-making processes from the very beginning.

Sartorius has no single organizational unit tasked with identifying and managing opportunities and risks. Instead, it prefers to make this a cross-functional component of Group management. To this extent, our risk management organization reflects a global functional matrix organization in which individuals heading a functional area, so-called "risk owners," are each responsible for their own management of opportunities and risks. The Finance & Controlling department is responsible for the organization of the respective reporting process, including the further development of the Group's risk management system.

Managing Opportunities

Our opportunity management centers on the analysis of target markets and sector environments, as well as the assessment of trends, both of which give strong indications as to future business opportunities. The identification of the potential for development in this context is one of the key roles of the relevant managers and initially takes place at the local rather than the central level. The market-facing functions, such as strategic marketing and product management in the individual divisions, play a leading role in this respect. The central Business Development unit additionally supports these areas with market monitoring, data analysis and the implementation of strategic projects.

As part of strategy reviews, the members of the Group Executive Committee regularly meet with the managers having operational responsibility and with the Business Development unit to discuss short-, medium- and long-term opportunity potential for the various business areas. The subsequent steps of prioritizing the opportunities and evaluating them from a business management perspective, deriving strategic measures and allocating resources proceed in accordance with a standardized decision-making process that applies throughout the Group. If the opportunities are short-term in nature, they are considered in annual budget planning. Medium- and longer-term opportunities are tracked systematically as part of strategic planning. The status of opportunity management as a permanent fixture of the corporate management system means that it also features in the discussions and decision-making processes of top-level management, such as the Executive Board and the Supervisory Board.

Key areas of opportunity are presented below. Where appropriate, reference is made to the relevant section of the Group Management Report in order to avoid repetition. Most of the risks we describe in the section on specific risks represent opportunities, should events develop in the opposite, positive direction. For this reason, we discuss these opportunities in the section on specific risks and opportunities at the end of this chapter.

Areas of Opportunity

As a supplier for the pharmaceutical and laboratory industries, Sartorius operates in future-oriented and high-growth sectors. The significant opportunities generated by the various market and technology trends are described in detail in the sections entitled "Sector Conditions" and "Outlook for the Sectors" on pages 28 et seq. and pages 61 et seq., respectively.

Our assessments rank the company as one of the global market leaders in many subsegments and product areas. We believe the high quality of our products, our strong brand recognition and our established customer relationships give us strong opportunities to continue extending our market leadership. The corresponding division strategies and the growth opportunities and initiatives based on them are discussed in the section on the strategy of the Bioprocess Solutions Division, which begins on page 24, and in the section on the strategy of the Lab Products & Services Division, which starts on page 25.

Strict management of processes and costs provides opportunities to further increase our profitability. Key target areas in this respect include continued enhancements of our procurement chain and ongoing efforts to optimize production, which we present on pages 43 and 47.

Other opportunities are discussed in the context of the presentation of specific risks and opportunities beginning on page 55.

Risk Management

Just as for opportunity management, overall responsibility for the maintenance of an effective risk management system ensuring comprehensive and consistent management of all material risks rests with the Executive Board. Coordinating and developing this system and combined risk reporting are the responsibilities of the Finance & Controlling department, while the particular functional areas are responsible for identifying and reporting risks, as well as for assessing their potential impact and for taking the appropriate countermeasures.

The Supervisory Board of Sartorius AG monitors the effectiveness of the risk management system, with the preparatory work necessary for it to do so being performed by the Audit Committee of this board. Furthermore, while carrying out their statutory audit mandate for the annual financial statements and consolidated financial statements, the independent auditors examine whether the early warning system in place is capable of prompt identification of risks that could jeopardize the future of the company.

Risk Management System and Risk Reporting

At the heart of the risk management system is the Sartorius Group Risk Management Handbook, which applies throughout the entire Group organization. The Handbook, which includes definitions of the framework, the structural organization, processes, risk reporting and monitoring and control of the effectiveness of the risk management system, is based on the internationally recognized COSO standard. There are also a number of other sources that contain stipulations for the handling of risks, including the articles of association and rules of procedure of the Group companies and other internal guidelines.

The Group-wide risk reporting system forms the cornerstone of internal risk communication. The object is to make it possible to address risks in a structured, continuous manner and to document them in accordance

with the relevant statutory and regulatory requirements. The strong growth of the Group over the past years, the increasing complexity of its organization and the rising demands of customers and regulators meanwhile require that we continue to adapt our guidelines and rules.

A key element of our internal communication of risks is Group-wide risk reporting. The objective of this is to enable structured, continuous tracking of risks and to document them in compliance with legal and regulatory requirements.

The prescribed reporting process in the risk categories subsequently described establishes the rules for the ongoing review of and information on risk situations. Those responsible for functional areas at the Group subsidiaries periodically review and assess their respective risk situations. If any specific risks are discernible, these are documented with respect to their assessment, probability of occurrence and measures to be taken to eliminate such risks or to mitigate their impact. In addition, as soon as these risks reach defined size criteria, they are reported to the central risk management system. Appropriate insurance policies are taken out to reduce any remaining risk situations, where feasible. New organizational units joining the consolidated Group companies are successively integrated into our risk reporting process.

We have an urgent reporting procedure in place to ensure that when a new or emerging significant risk to our net worth, financial position and profitability is identified and estimated as involving €2.5 million or higher, the Executive Board of Sartorius AG receives all of the necessary details without undue delay.

Risk Classification

The first level of risk management relates to the four main risk categories defined by Sartorius: external risks, operating risks, financial risks and corporate governance risks.

The second level consists of additional subcategories that we classify within these main categories, such as supply chain risks, sales and distribution risks, and quality risks.

We categorize risks according to the scale of their implications too, and also perform a specific evaluation in which all risks are assigned the value of their maximum impact at the time of risk analysis. In other words, we record the maximum risks without considering the probability of occurrence or the effects of risk mitigation measures.

For the purposes of this report, we have assessed the probability of the risks as shown below and, in the adjacent columns, classify their particular significance for the entire Group.

Probability of Occurrence	
Low	< 5%
Medium	5%- 20%
High	> 20%

Significance		
in thousands of €	Impact on Earnings*	Impact on Assets*
Of limited significance	< 1,000	< 5,000
Significant	> 1,000	> 5,000

Explanation of Principal Risks and Opportunities

General and Macroeconomic Risks and Opportunities

General Risks

In principle, our ability to foresee and mitigate the direct and indirect effects of risks entailed by life in general is limited, but we proactively take measures, whenever feasible, to ensure that we can respond appropriately and at short notice or are insured against any damage entailed by such risks that include, for instance, natural catastrophes and their associated damage to commercially significant and critical infrastructure.

Political developments, such as the referendum on the United Kingdom's leaving the European Union or the change in politics in the USA, can basically have an impact on the Group's business. To cite such examples, such developments may involve changes to the tax system or customs duties, as well as impacts on the exchange rate of the euro to the British pound or the U.S. dollar (for more on the subject of exchange rates, see the section below on Exchange Rate Risks and Opportunities). These further developments are being closely observed so that measures can be taken to reduce such risks, as necessary.

Business Cycle Risks

The nature of our various business areas means that Sartorius as a whole is insulated to a certain extent from the full force of wider cyclical effects. While macroeconomic effects have very little bearing on the

progress of the Bioprocess Solutions Division, they are particularly relevant to the Lab Products & Services Division and can represent a risk to the latter's growth in this context. If economic developments prove more positive than expected, this, in turn, can additionally stimulate stronger growth for Lab Products & Services.

Supply Chain Risks and Opportunities

Our supply chain extends from procurement to production to sales and distribution. Problems within this workflow can have consequential effects, including delays in deliveries. The global supply chain management system we have instituted throughout our production processes to prevent such problems largely minimizes the associated risks by analyzing and controlling all of the operations involved. The strongly international alignment of our organization opens up a whole series of opportunities too. The various risks and opportunities encountered within our supply chain are explained in detail below.

Procurement Risks and Opportunities

We purchase a wide range of raw materials, components, parts and services from suppliers and are consequently exposed to the risks of unexpected delivery bottlenecks and/or price increases, as well as obligatory minimum purchase quantities that may result in claims for compensation if we do not reach such quantities.

Over the past years, we have implemented powerful tools and robust processes in our Materials Management unit to manage risks and critical materials. These means enable us to meet the needs of our customers with respect to delivery reliability and transparency. This represents a significant competitive advantage.

We moreover conduct regular supplier reviews and also use early warning systems. In addition, we always maintain reserve inventories for strategic raw materials and work with alternative suppliers where possible.

Opportunities can arise in the area of procurement when our growth enables us to increase order quantities and thereby strengthen our position with our suppliers, such as by receiving price discounts or preferential treatment as a "preferred customer." In addition, we maintain a list of preferred suppliers in parallel, which permits us to enter into long-term business relationships with key suppliers to our mutual benefit.

Increased globalization of our supplier pool holds the prospect of purchasing on more favorable terms, moreover, and there is also a possibility of our expanded purchasing activities in the international markets leading us to identify suppliers with special product and technical expertise that could eventually enhance our own competitive edge.

Production Risks and Opportunities

Based on our core technology expertise, we ourselves manufacture a large proportion of the products that involve a high level of vertical integration. Examples include filters and laboratory balances. Other products, such as reusable fermenters and bioreactors, are manufactured in collaboration with suppliers so that some of the production risks are transferred to external third parties. When we manufacture products ourselves, we also bear the associated risks of capacity bottlenecks or overcapacity, production downtimes, excessive reject rates and high levels of tied-up working capital, as well as dependency on individual manufacturing sites. We contain and reduce these risks by planning production capacities carefully, using versatile machines, semi-automated individual workstations and flextime work schedules, and by continuously monitoring production processes. Moreover, our global manufacturing network enables us to compensate for any capacity bottlenecks by shifting production to other regional plants and to minimize our dependency on individual local production plants.

Beyond this, we work closely together with our customers to gain a better understanding of their needs and to schedule our production capacities optimally.

We consider it an opportunity that our investments in infrastructure and production resources, among other things, have given us high flexibility in our manufacturing operations and that we are capable of meeting our customers' requirements and regulatory standards with respect to business continuity concepts. In addition, this approach ensures that our individual production sites can concentrate on specific manufacturing technologies, gaining added efficiency as a result. Our international manufacturing network also makes it possible to capitalize on the cost advantages offered by individual sites. Furthermore, continuous improvements in production, such as simplifying processes and increasing levels of automation, help drive manufacturing efficiency even higher.

Sales and Distribution Risks and Opportunities

We use a variety of channels to sell and distribute our products around the world. The potential risks entailed are unexpected changes in the demand structure, growing price pressure and non-compliance with supply agreements concluded with customers. We employ targeted market analyses to identify emerging demand trends in individual segments early on so that we have time to respond appropriately. Our technical innovations and our focus on less price-sensitive sales markets, such as products for validated production processes in the biopharmaceutical industry, reduce our exposure to the risk of growing price pressure. We have minimized our risk exposure in the area of logistics in recent years by setting up and using central warehouses to optimize distribution logistics.

Opportunities arise in the area of sales and distribution when the increasing breadth of our product range – in both bioprocess and lab segments – puts us in a position to sell new products to existing customers. Our business relationships, most of which are established for the long term, and our global presence provide opportunities, moreover, and our ongoing project to strengthen direct sales, especially in the lab segment, also promises to enhance our sales prospects. The already described cooperative arrangements with our customers concerning their demand patterns, as well as our implementation of a robust and transparent management system for materials and suppliers, represent competitive advantages, increasing our sales opportunities as a result.

Quality Risks and Opportunities

Our customers use Sartorius products in a wide range of critical production processes, including the manufacture of pharmaceuticals, foods and chemicals, and in research and development laboratories. The main risk encountered in these areas is non-compliance with agreed quality criteria, which can lead to losses for our customers, or their customers, for which we may be made liable through compensation claims. We employ rigorous quality checks and advanced production methods and processes, such as cleanroom technology, to ensure that our products satisfy the most stringent quality standards and high regulatory requirements. These manufacturing methods and processes are subject to constant review under our continuous improvement processes, moreover, and are

optimized as requirements evolve. Our successful completion of a host of annual audits by customers and our certification under ISO 9001 and ISO 13485 together document the high level of quality achieved in Sartorius products and processes. Irrespective of these measures, we also maintain significant insurance coverage against product liability risks. Sartorius has established a traceability system that enables us to recall an entire production batch immediately, if necessary, and minimize any adverse consequences in the event of defects being discovered in a product.

Quality requirements are growing more and more stringent all the time, not least as a result of increasing requirements on protection of medical patients and on product safety by regulatory authorities, so we actually regard this first and foremost not as a risk, but as an opportunity that opens up new market prospects. Also, challenging quality demands represent a considerable barrier to entry for potential new competitors and provide stimulus for further technical innovation to which we actively respond.

R&D Risks and Opportunities

We devote a considerable share of our resources to research and development. Potential risks in this area may arise from development results that diverge from market needs and application requirements and from exceeding planned development deadlines. Our advanced project management, intensive R&D controlling and early involvement of our customers in the development process substantially limit these R&D risks. Patents and continuous tracking of the technologies and competitors relevant to us secure our technology and marketing position.

On the other hand, the R&D sphere also offers a number of potential opportunities. Our intensive collaboration with partners that rank among the global market leaders in their own fields opens up the opportunity for us to jointly develop products with an especially high level of innovation. In areas such as membrane technology and plastics technology, as well as sensors and bioprocess engineering, in turn, the expertise of our own specialists puts us at the very forefront of global research and development, presenting us with an opportunity to turn this technical knowledge into potential sales and an even stronger position on the market.

Customer Risks and Opportunities

Sartorius sources its key customers from the pharmaceutical, chemical and food industries and from research and educational institutions of the public sector. These customers are usually relatively large organizations that have been in existence for some time and have strong credit ratings. Most of our business areas have a highly diversified customer base, so the Group as a whole is not dependent on individual key accounts to any significant degree.

Competitive Risks and Opportunities

Sartorius has a leading competitive position in most of its markets and competes with mainly larger rivals sharing our status as a globally operating company. Examples of our competitors include Merck|Millipore, Danaher|Pall and Mettler Toledo. As we serve a large number of customers from highly regulated sectors like the pharmaceutical and food industries, and the technology barriers to market entry are substantially high, we regard the probability of new competitors emerging within the short term as low. Furthermore, our global presence significantly mitigates individual regional risks.

Changes in the competitive environment, for example, consolidation in the markets, can pose opportunities. Our sectors find themselves in an ongoing process of change in which Sartorius has been actively participating. We have been continuously making acquisitions in recent years to reinforce our market position and open up new potential synergies.

Acquisition Risks and Opportunities

By nature, acquisitions provide many opportunities, such as sales growth, extension of our product portfolio and development of new markets. By contrast, the purchase and sale of companies or parts of companies entail a number of typical risks, such as incorrect valuation assumptions or insufficient usage of anticipated synergy effects. To prevent these risks, we take various measures, such as performing a standard due diligence review of important areas and carrying out comprehensive analysis of the market concerned. In addition, we involve external consultants and experts in the purchase or sales process as required. We especially focus on drafting transaction contracts so that they adequately counter such risks, especially by clauses assuring specific characteristics or by contractual warranty or guarantee provisions, as well as agree-

ments on mechanisms for adjustment of the purchase price and on liability clauses. Immediately after an acquisition has taken place, an integration phase is initiated in which any potential risks can likewise be detected as early as possible and prevented or minimized by taking the appropriate counteractions.

Personnel Risks and Opportunities

As an innovative technology group, Sartorius employs a large number of highly qualified people.

We counter the risks of a possible scarcity of required specialists, especially those in key positions and of demographic change by offering performance-related remuneration models, targeted continuing professional development options, further attractive social benefits, continuous education and training for junior staff members within our organization and interesting people development opportunities.

The success of these measures is apparent in the low attrition rates of recent years and the many years of seniority our people accumulate on average. Employment contracts in certain cases contain a clause prohibiting any move to a direct competitor.

Opportunities for Sartorius primarily arise in that it can further qualify its staff by offering its own training courses and retain such staff over the long term, thus covering company needs for qualified personnel particularly well.

Financial Risks and Opportunities

The global nature of the Sartorius Group's operations means that its business activities are inevitably exposed to financial risks. The most significant of these, aside from risks associated with Group accounting, are exchange rate risks, interest rate risks and liquidity risks, all of which are described below and addressed in detail in the Notes to the Consolidated Financial Statements. Vice versa, financial risks, most notably exchange rate risks and interest rate risks, are balanced by opportunities of approximately equal magnitude.

Risks Associated with Group Accounting

Except for the general, typical risks inherent in any accounting process, no specific risks concerning Group accounting are discernible. Typical accounting errors in this connection are, for example, incorrect discre-

tionary decisions in the measurement of assets and liabilities. The use of various common and standardized control mechanisms integrated into our accounting process ensures that such errors are recognized and corrected at an early stage.

Exchange Rate Risks and Opportunities

As we generate around half of consolidated sales revenue in foreign currencies and two-thirds of this total revenue in U.S. dollars or in currencies pegged to the U.S. dollar, we are positively or negatively impacted by currency effects, especially when converting the currencies of balance sheet items and profit or loss items, respectively. To largely compensate for the general risk resulting from the impact of individual foreign currencies, we have taken a number of measures besides hedging currencies. Our global production network thus enables us to offset the lion's share of sales revenues received in foreign currency within the Group against costs likewise incurred in foreign currency. For example, we manufacture many of our products for the North American market locally, and are not disadvantaged in competition with our U.S. rivals, insofar as this general currency risk is concerned. We continuously monitor both exchange rates and our net currency exposure – i.e. that proportion of our foreign currency sales revenue that remains after we have settled our costs, likewise in a foreign currency – and use derivative financial instruments for hedging. These instruments are primarily spot, forward and swap transactions, on the basis of current and anticipated net currency exposure and foreign currency levels. In individual cases, target redemption forwards are used to optimize exchange rates. We make it a policy to hedge up to 70% of our exposure in advance for the following 18 months. Due to the currently low exchange rates, we extended our hedges for the U.S. dollar for up to 36 months. Hedging transactions are set up by one group of staff and monitored by another, separate group.

Interest Rate Risks and Opportunities

We have concluded fixed interest agreements for most of our outstanding loans to eliminate the risk posed by variable interest payments. A small portion of the financial instruments outstanding on the reporting date are subject to variable interest based on the market rate. Almost one-third of these are currently covered by interest rate swaps, so interest rate risks and opportunities apply only to the remainder. We monitor interest rate trends and our interest rate exposure constantly and have the facility to arrange additional

hedging transactions where we consider it necessary and economically advisable to do so for individual loans.

Liquidity Risks and Opportunities

The Sartorius Group actively manages liquidity centrally in order to check and minimize liquidity risks and optimize liquidity management within the organization. For this purpose, we use various long- and short-term financial instruments. Regarding the maturities of our loans, we make it a policy to take a risk-averse approach.

For short-term liquidity procurement, we also employ various instruments. In addition to the syndicated credit line that can be accessed and repaid at short notice, we have a number of bilateral credit lines in place on a smaller scale for individual Group companies. Furthermore, we use cash pooling agreements between selected Group companies as the primary tool to manage liquidity within the Group.

Under the present loan agreements, the Group is required to comply with standard financial key ratios, or covenants. In this context, the ratio of net debt to underlying EBITDA may not be greater than 3.25 and 4.00, respectively. There is a basic risk in this connection that the Group might not comply with these covenants, which could lead to a termination of the loan agreements. Based on the current information available, this is considered unlikely.

Regulatory Risks

Our role as a supplier to the biopharmaceutical industry and health care providers means that Sartorius can also be affected by underlying developments in these areas. The possibility of the regulatory authorities (FDA, EMA) adopting a more restrictive approach to the approval of new medications remains the principal source of risk in this context. Such a move would reduce the number of new pharmaceutical products to be marketed and would consequently downgrade future prospects for Sartorius over the medium term.

Environmental Risks

Sartorius has established an environmental management system that encompasses, and is integrated into, all divisions and covers a whole series of environmentally relevant regulations to minimize environmental risks. This management system has been certified for compliance with ISO 14001 at a number of the company's relatively large manufacturing sites. The respective company organizational units ensure at the particular sites that the laws and regulations relating to environmental protection are observed and that further technical possibilities for limiting environmental risks are identified on an ongoing basis.

The increasing importance of sustainability considerations in many industries represents an opportunity. That is why this aspect is a key element in our supplier selection process for assessing the suitability of a particular company as a business partner.

IT Risks and Opportunities

Besides the risks already described, the Sartorius Group is exposed to potential risks in the area of IT as a result of its pronounced dependence on these systems, since their error-free operation is essential for the smooth functioning of the company's business processes. We reduce IT security risks by continuously enhancing and implementing IT security guidelines and policies. These rules and measures are based on the requirements of ISO 27001 and the standards of the German Federal Office for Information Security (BSI Standards). Furthermore, our company's existing IT applications and IT systems are checked for potential risks in regular external and internal IT audits, and appropriate measures are taken to minimize any risks identified. Continuous alignment of our IT strategy and business strategy, tracking of new technical developments and the use of advanced hardware and software minimize the risk inherent in the operation of our IT system environment. A new ERP system commissioned by Sartorius at its Goettingen Group headquarters in 2012 has been successively rolled out to the Group sites around the world since 2015. This ERP system was successfully commissioned in 2015 in North America, as well as in 2016 in France, Belgium and Tunisia. In conducting this IT project, we have continued to focus on controlling the risks involved, such as by maintaining a precautionary backup system. The implementation of the new system brings with it a whole series of opportunities, especially in relation to efficiency gains and the standardization and harmonization of business processes worldwide.

Process Risks

Process risks for Sartorius can arise from pending or forthcoming legal disputes or from administrative proceedings. All judicial or extrajudicial disputes are attended to by the company's own attorneys and legal experts, who engage external lawyers as needed.

At present, there are no pending or discernible legal disputes or proceedings that lack any cost coverage allowances in the statement of financial position or that could have a substantial negative impact on Group.

Insurance

We have taken out insurance policies to cover a wide range of risks where possible and economically advisable. These insurance policies include coverage against liability, property damage, business interruption, transport, material and pecuniary damages and other risks, and provide comprehensive coverage for legal costs. An independent department working in conjunction with an external insurance broker regularly reviews the nature and extent of our insurance protection and makes any adjustments necessary.

Assessment of the Overall Risk Situation and Risk Outlook

Where feasible, we adopted countermeasures and/or arranged for balance sheet measures during the reporting year to cover all discernible risks within the Sartorius Group, and those of a defined probability of occurrence, that had the potential to damage our net worth, financial situation and profitability.

For the purposes of this report, we have assessed the probability of occurrence for the risks as shown below and, in the adjacent columns, classify their particular significance for the entire Group.

Risk Category	Probability of Occurrence	Significance
General and macroeconomic risks		
Business cycle risks	Medium	Significant
General risks	Low	Significant
Supply chain risks		
Procurement risks	Low	Of limited significance
Produktion risks	Low	Significant
Sales and distribution risks	Medium	Significant
Quality risks	Low	Significant
R&D risks	Low	Significant
Customer risks	Low	Of limited significance
Competitive risks	Low	Of limited significance
Akquisition risks	Low	Significant
Personnel risks	Low	Of limited significance
Financial risks		
Risks associated with Group accounting	Low	Of limited significance
Exchange rate risks	Medium	Significant
Interest rate risks	Medium	Significant
Liquidity risks	Low	Significant
Regulatory risks	Low	Of limited significance
Environmental risks	Low	Of limited significance
IT risks	Low	Significant
Process risks	Low	Of limited significance

After thorough analysis of the entire risk situation and according to our current review, there are no discernible risks at present that could jeopardize the continued existence of the Group.

Similarly, based on our current review, there are no discernible risks that could jeopardize the future existence of the Group.

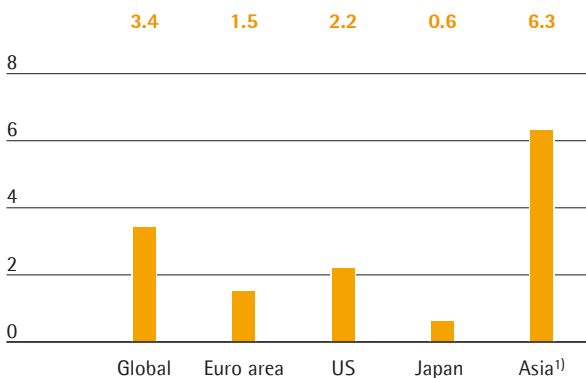
Forecast Report

Future Macroeconomic Environment

According to the October 2016 forecast by the International Monetary Fund (IMF), the world's economy may expand somewhat faster in 2017: a plus of 3.4% (2016: 3.1%) is expected, driven by strong growth in the emerging economies. However, this forecast does not consider the possible effects of the presidential elections in the USA on national and global economies.

Forecasted GDP Growth Rates for 2017

in %



¹⁾ Asia = China, India, Asean-5 (Indonesia, Malaysia, Philippines, Thailand, Vietnam)

Source: International Monetary Fund

The IMF estimates economic expansion of 2.2 % in the USA in 2017, compared with 1.6 % last year. Significant growth drivers are expected to be an end to inventory reductions and the recovery of investment activities.

Growth of 1.5% (2016: 1.7%) is projected for the eurozone, with a dampening effect expected in particular from uncertainty as regards the macroeconomic effects of the Brexit referendum.

Experts believe that the Asian economic area will expand by 6.3% (2016: 6.5%). According to the IMF, China's growth is expected to slow once again – from 6.6% in 2016 to 6.2% in 2017.

Exchange and Interest Rate Trends

Experts predict that base interest rates will remain at a very low level in 2017, as they did last year.

Market forecasts of the euro-U.S. dollar exchange rate for the course of 2017 range between 0.94 euro | U.S. dollar and 1.18 euro | U.S. dollar.

Sources: International Monetary Fund, World Economic Outlook Oktober 2016; Reuters Forex Poll, December 2016

Outlook for the Sectors

Pharmaceutical Industry Continues to Grow

The development of the global pharmaceutical industry is driven by strong long-term trends. Major growth factors include the constantly growing and aging global population, increasing access to healthcare, especially in the emerging and developing countries, and the development of new medicines, particularly for diseases that have not been treated to date or are difficult to treat. On the other hand, the expiration of patents and austerity measures dampen healthcare spending. However, market researchers are forecasting overall growth of between 4% and 7% for the global pharmaceutical industry during the period 2016 to 2020.

The U.S. pharmaceutical market – the world's largest – is expected to grow at a rate of 5% to 8% on average during the period 2016 to 2020. Expansion will be driven principally by new, innovative medications, while the negative effect of expiring patents is expected to be relatively modest. This forecast does not consider changes that may take place as a result of the U.S. elections in November 2016 and any possible alterations to the U.S. healthcare system. Growth in the European pharmaceutical market is likely to remain moderate over the next few years as continuing austerity measures affect its national healthcare systems. Thus, average growth of between 1% and 4% is projected for the region until 2020.

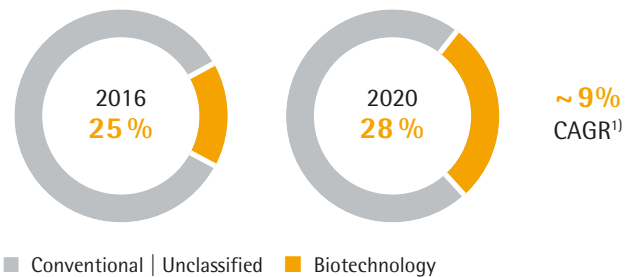
Expansion in the “pharmerging markets” (including China, India, Brazil and Russia), in contrast, is expected to continue at above average levels of around 7% to 10% annually from 2016 - 2020 owing to demographic trends, rising investments into government-led healthcare systems and increased private spending.

Biotech Sector Enjoys Above-Average Growth

Market observers forecast that the biopharma segment of the pharmaceutical market, which has been enjoying particularly strong growth for years, will continue to outperform the market. This growth will be driven largely by the increasing market penetration of already approved biopharmaceuticals and an expansion in the range of indications. However, this comparatively young segment also has great innovative power, as reflected in strong research and development pipelines. Overall, around 40% of the medications in R&D pipelines are based on biological manufacturing processes.

Strong Growth in the Biopharma Market

- Growing & aging population
- Increasing access to healthcare
- Strong R&D pipelines
- Emerging biosimilars market



¹⁾ Source: Evaluate Pharma®: World Preview 2016, Outlook to 2020, June 2015; CAGR 2015 bis 2020

Biosimilars, which are biological copycat medications, will increase in importance during the years to come, since a number of original biological products with combined revenues of more than €40 billion are due to lose their patent protection by the year 2020. Currently, more than 200 companies around the world are working on more than 700 projects for the development of biosimilars.

The great innovative power of the biotechnology sector, particularly in recent years, can also be seen in the rising number of new product approvals: the number of newly approved biological medications in the USA during the last five years was around 50% higher than the number of approvals from the period 2007 to 2011.

The revenue share of biological medications and vaccines relative to the global pharmaceutical market is thus expected to rise from a current 25% to 28% by the year 2020. On the whole, the market observer Frost & Sullivan estimates that growth in the world's biotechnology market will average 9% per year during the years 2016 to 2020.

The biosimilars industry made significant strides in 2016 with three approvals in the USA, but regulatory, patent- and marketing-related uncertainties are making it difficult to predict the market launch of these drugs accurately. The market share of biosimilars is currently still very small, but experts estimate that by the year 2020, sales will quadruple to more than U.S. \$10 billion.

Stable Growth Expected in the World's Laboratory Market

According to Frost & Sullivan, global demand for laboratory products is likely to remain stable, with growth of 2.8% in 2017. The important U.S. market is expected to generate growth of 3.3%, in part due to higher National Institute of Health budgets. In contrast, experts expect an increase of just 1.2% in Europe owing to its comparatively moderate economic growth and as a result of uncertainties in the wake of the Brexit referendum. As before, market observers expect the highest growth rates in Asian countries such as China and India, in which the individual labor markets are likely to grow around 8% to 9% in 2017.

Sources: IMS: IMS Health Market Prognosis, March 2016; Global Medicines in Use in 2020, November 2015; Searching for Terra Firma in the Biosimilars and Non-Original Biologics Market, 2013; Evaluate Pharma: World Preview 2016, Outlook to 2022, September 2016; Frost & Sullivan: 2016 Annual Report: Forecast and Analysis of the Global Market for Laboratory Products, October 2016; www.fda.gov; FDA-Approves-Third-Biosimilar-in-US-First-for-Amgens-Blockbuster-Enbrel, www.raps.org

Outlook for 2017

The outlook for 2017 considers the sector environment, economic trends and the opportunities and risks outlined in this Annual Report. The following forecast is provided under the assumption that we have accurately anticipated the relevant trends for Sartorius:

Sartorius Group

Sartorius expects to grow profitably again in 2017. Specifically, management projects that Group sales revenue for the full year will grow by about 8% to 12% in constant currencies. Regarding profitability, management forecasts that the company's underlying EBITDA margin will gain around half a percentage point over the prior-year figure of 25.0%.

In view of continued strong organic growth, Sartorius has already started in 2016 to expand its production capacities earlier and to a greater extent than initially planned. Accordingly, the Group projects that it will invest overproportionately in its worldwide infrastructure in 2017 as well, at a ratio of capital expenditures to sales revenue of around 12% to 15%. The focal areas of its investments will be to extend the Yauco site for manufacture of single-use filters and bags, as well as to combine and expand Group headquarters in Goettingen, Germany.

With regard to our financial position, we forecast that our ratio of net debt to underlying EBITDA will be approximately at, or slightly below, the previous year's level (Dec. 31, 2016: 1.5) at the end of 2017. This ratio does not take any potential acquisitions into account.

Division Forecasts

For the Bioprocess Solutions Division, management expects significant increases for the full year of 2017 as well. The division's sales revenue is projected to grow by about 9% to 13% against strong year-earlier comparables, and its underlying EBITDA margin will rise by around half a percentage point over the prior-year figure of 28.0%.

The Lab Products & Services Division partially depends on general economic cycles. For this division, management projects that, assuming an overall stable economic environment, sales will increase by about 6% to 10%. This includes non-organic growth of around 3 percentage points expected to be contributed by the companies Intellicyt and ViroCyt acquired at mid-2016. The division's underlying EBITDA margin is forecasted to rise by about one percentage point from 16.0% in the previous year. (All forecasts for the divisions in constant currencies)

Report on Material Events

No material events occurred after the close of fiscal 2016.

Description of the Key Features of the Internal Control Management System

In relation to the Group Accounting Process (Section 289, Subsection 5, and Section 315, Subsection 2, No. 5, of the German Commercial Code [HGB])

Definitions and Elements of the Internal Control Management System at the Sartorius Group

The internal control system of Sartorius AG and the Sartorius Group encompasses all of the principles, procedures and measures adopted to ensure the organizational implementation of management decisions. The main priority of the system as it relates to Sartorius AG's and the Group's accounting process is to make sure that accounting is effective, cost-efficient and formally correct and that it complies with the pertinent legal provisions.

The internal control system of the Sartorius AG and the Sartorius Group consists of a combination of process-integrated and non-process-integrated monitoring measures. The process-integrated safeguarding measures are subdivided, in turn, into organizational measures and other control measures. The Supervisory Board, specifically in this case the Audit Committee of Sartorius AG, and the Internal Control Systems & Compliance unit with its Group Auditing department are involved in the Sartorius Group's internal control system through their non-process-integrated audit activities. The Audit Committee regularly reviews quarterly reports besides the annual financial statements of the parent corporation and of the consolidated annual financial statements.

Moreover, to ensure systematic, early identification of risks across the entire Group, a "monitoring system for early group-wide detection of risks with the potential to jeopardize the company's continued existence" as defined in Section 91, Subsection 2, of the German Stock Corporation Law (AktG) is in place at the Sartorius Group. The efficacy of the early risk detection system, which the Sartorius Group adapts promptly in response to any relevant changes in circumstances, is assessed by the independent auditors of Sartorius AG in accordance with Section 317, Subsection 4, of the German Commercial Code (HGB). An integral component of this system is also operational risk management, which involves activities such as the transfer of risk to insurance companies through coverage for damage and liability risks and the arrangement of suitable hedges to limit currency and interest rate risks.

Organizational Measures

Accounting processes are strictly organized according to the principle of segregation of functions, taking into account the "four-eyes" principle – i.e. review by two individuals. Duties and responsibilities are clearly assigned to different specialized units, companies and regional units. The separation of administrative, executive, settlement and approval functions reduces the possibility of fraud. It also continues to play a significant role in ensuring that any possible errors are discovered early and any potential misconduct is prevented.

The IT applications used in the company's accounting processes have access restrictions, which allow only authorized persons to have controlled access to the accounting system and data. Each access right is assigned specifically according to the tasks to be performed and will be subject to annual review in the future. Furthermore, the four-eyes principle is also applied in IT process designing and assignment of access rights.

In addition, defined written local and global operating procedures exist, particularly the Group accounting guidelines, which are regularly updated and communicated throughout the Group. The scope of regulation at Group level also extends to the central definition of measurement rules and parameters, among other factors. Additional data for the presentation of external information in the notes to the financial statements and in the Group management report is also prepared and aggregated at Group level.

Continuous coordination of internal accounting for planning and control with external accounting significantly contributes to the quality of Group financial reporting. Reporting itself is done through a standardized management reporting system implemented throughout the Group. This system visualizes all consolidation processes. Internal controls, on the one hand, and the Group auditors of Sartorius AG, on the other hand, ensure that Group financial reports are accurately generated from the consolidated Group companies' financial statements.

The employees involved in the accounting process meet qualitative standards and receive regular training. The Group Financial Reporting Accounting department assists the local units in resolving complex accounting issues, such as measuring fair value, to ensure con-

sistent and accurate reporting in the consolidated financial statements. Complex evaluations, such as actuarial reports and company valuations or purchase price allocations, are assigned to specialized service providers who involve the respectively qualified in-house staff.

Control Measures

Comprehensive control activities are performed by managers and staff to ensure effective and reliable accounting. As a result, this ensures compliance with legal requirements and internal guidelines, as well as properly conducted business transactions. Examples of such control activities include the analysis of situations and developments with reference to specific key indicators. Moreover, individual reporting units monthly comment on and explain special characteristics or variances using Group-wide standardized analytical tools as the basis. Further specific control activities performed to ensure effective and reliable Group accounting encompass the analysis and, where applicable, correction of the individual financial statements submitted by the Sartorius Group companies. A large number of control mechanisms already incorporated into the consolidated reporting system enable erroneous information to be identified and corrected at Group level. Impairment tests are conducted centrally for the specific cash-generating units, known as CGUs, from the Group's perspective to ensure that consistent, standardized evaluation criteria are applied.

The Internal Control Systems & Compliance unit annually draws up a risk-based audit plan and reviews in spot checks whether basic legal requirements and internal group guidelines are complied with for the entire control and risk management system of the Group. This monitoring function covers, in particular, auditing the functional efficiency and effectiveness of defined control measures. The results of these audits are reported directly to the Executive Board and enable any deficiencies determined to be corrected and the company's internal control system (ICS) to be further enhanced.

A manual on the company's internal control system that focuses on the business processes of our company further contributes toward strengthening ICS. As a result, this manual combines all ICS-relevant requirements that we consider of material importance into one standardized document and will be supplemented by further appropriate rules as necessary.

Qualifying Statements

The internal control and risk management system enables the complete recording, processing and evaluation of company-related matters, on the basis of the organizational, control and monitoring structures defined in the Sartorius Group, as well as their accurate presentation in Group accounting.

In particular, decisions based personal judgment, erroneous controls, criminal acts and other circumstances that can impair the efficacy and reliability of the internal control and risk management system in place cannot be ruled out, however, so even the application throughout the Group of the systems adopted cannot provide an absolute assurance as to the accurate, complete and timely recording of matters in Group accounting.

The statements made relate solely to the subsidiaries included in the consolidated financial statements of Sartorius AG, whose financial and business policies Sartorius AG can directly or indirectly determine in order to obtain benefits from their activities.

Explanatory Report of the Executive Board

On the Disclosures Pursuant to Section 289, Subsections 4, and Section 315, Subsection 4, of the German Commercial Code (HGB)

Composition of the Issued Capital | Limitations to Voting Rights

Sartorius AG's capital stock totals €74,800,000. It comprises 74,800,000 no par value individual bearer shares, 37,440,000 of which are ordinary shares and 37,440,000 of which are non-voting preference shares. Each share certificate represents a calculated proportion of €1 of the issued capital.

The rights and obligations associated with these shares are governed by the provisions of the German Stock Corporation Law (Aktiengesetz, abbreviated "AktG"). According to the company's Articles of Association, preference shares are entitled to a dividend payment that is one euro cent higher per share than that for ordinary shares. However, this entitlement to receive dividends shall be at least two euro cents per preference share. Apart from the cases provided for in Sections 140 and 141 of AktG, preference shares are non-voting. Beyond this, preference shares grant all other rights to which every shareholder is entitled.

The company holds 3,227,776 ordinary shares and 3,263,932 preference shares; these do not entitle the company to any membership rights.

Direct or Indirect Equity Ownership Exceeding 10% of Voting Rights

The community of heirs consisting of Mrs. U. Baro, resident of Munich, Germany; Mrs. C. Franken, resident of Bovenden, Germany; Mr. A. Franken, resident of Riemerling, Germany; Mr. K.-C. Franken, resident of Goettingen, Germany; and Mrs. K. Sartorius-Herbst, resident of Northeim, Germany, holds a voting percentage of approximately 50.1% in Sartorius AG (18,754,160 votes; source: according to the list of attendees at the Annual Shareholders' Meeting on April 7, 2016, taking into account the share capital increase from retained earnings that went into effect as of June 1, 2016). The decedent Horst Sartorius ordered that his will be executed. The appointed executor of the will is Prof. Dr. Dres. h.c. Arnold Picot, resident of Gauting, Germany, who exercises the specified voting rights at his own discretion as defined by Section 22, Subsection 1, sentence 1, item no. 6, of the German Securities Trading Act (Wertpapierhandelsgesetz, abbreviated "WpHG").

According to a mandatory announcement dated April 1, 2011, Bio-Rad Laboratories Inc., 1000 Alfred Nobel Drive, Hercules, California 94547, USA, to which the voting rights of Bio-Rad Laboratories GmbH, Heidemannstr. 164,

80939 Munich, Germany, are ascribed according to Section 22, Subsection 1, sentence 1, item no. 1, of WpHG, holds 30.01% of the voting rights in Sartorius AG (11,237,196 votes, taking into account the share capital increase from retained earnings that went into effect as of June 1, 2016).

Appointment and Dismissal of Executive Board Members | Amendment to the Articles of Association

Executive Board members of Sartorius AG are nominated and/or appointed as well as dismissed in accordance with Sections 84 et seq. of the German Stock Corporation Law (AktG) and Sections 31 and 33 of the German Codetermination Law (Mitbestimmungsgesetz, abbreviated "MitBestG"). Amendments to Sartorius AG's Articles of Association are regulated by Sections 133 and 179 of the German Stock Corporation Law (AktG).

Powers of the Executive Board to Issue Shares

Subject to approval by the Supervisory Board, the Executive Board is authorized to sell treasury shares held by the corporation, including selling them through channels other than the stock exchange or by tendering an offer to all shareholders in proportion to their participation in the company, provided that these shares are transferred to third parties as contribution in kind, particularly in the (indirect) acquisition of companies, in return. Under these circumstances, the preemptive rights of the shareholders are excluded.

Material Agreements with Clauses Regulating the Event of a Change of Control

Sartorius AG has material loan agreements containing customary market clauses regulating the possible event of a change of control and giving the participating lenders the option of termination of a particular agreement or to request complete repayment of the respective loan:

One is a syndicated loan agreement concluded in 2014 for a current volume of €400 million and a term until December 2021; a further agreement is a €200 million note loan agreement ("Schuldscheindarlehen") placed in 2016 for a maturity term of five to ten years; a promotional €90 million loan concluded in 2015 for a maturity term until December 2023; a further promotional €90 million loan concluded in 2016 for a maturity term until December 2024; and a note loan originally for €100 and placed in 2012 for a maturity term of five to ten years. The repayment sum outstanding for these material loan agreements stands at approximately €462 million as of December 31, 2016.

Report and Declaration on Corporate Governance

Corporate Governance Report

The executive and supervisory bodies of Sartorius AG are guided in their actions by the principles of transparent and responsible corporate governance. The Executive Board and the Supervisory Board report here on corporate governance pursuant to Article 3.10 of the German Corporate Governance Code.

Declaration of the Executive Board and of the Supervisory Board of Sartorius AG Concerning the Recommendations of the Government Commission on the German Corporate Governance Code Pursuant to § 161 of the German Stock Corporation Law ("Aktiengesetz")

The Executive Board and the Supervisory Board declare that full compliance will be achieved with the recommendations made by the Government Commission on the German Corporate Governance Code and published by the German Federal Ministry of Justice in the official section of the German Federal Gazette ("Bundesanzeiger"), as amended on May 5, 2015.

Since last year's Declaration of Compliance was issued, Sartorius AG has complied with the recommendations in the valid version of the Government Commission on the German Corporate Governance Code to the full extent.

Goettingen, December 8, 2016

For the Supervisory Board

For the Executive Board

Prof. Dr. Dres. h.c.
Arnold Picot

Dr. Joachim Kreuzburg

Further Remarks Concerning Corporate Governance

In the reporting year, the Executive Board and the Supervisory Board dealt with the proposals of the Government Commission of the German Corporate Governance Code dated May 5, 2015. Most of these proposals were endorsed. The Supervisory Board provided written comments on some of the proposals within the scope of the Commission's consultation. These were essentially clarifications of the proposals on paragraphs 4.2.3; 5.2; and 5.4.1.

The targets for the composition of the Supervisory Board defined in 2010 continue to apply:

- Independent members shall account for no less than 25% of the Supervisory Board.
- The aim of selecting candidates having international experience or an international background is to be considered, as previously, when making appointments to the Supervisory Board.
- The upper age limit of 70 at the time of election should be taken into consideration, but may be waived in exceptional cases, provided there are no reservations about the suitability of the persons proposed and their election is expedient to the interests of the company in spite of the age limit being exceeded.

The company meets these targets. The target set in 2010 for the proportion of women was rendered obsolete by the German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sectors" that entered into force in 2015. Further details on this law are given in the next paragraph in this report.

German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sectors

In the future, Sartorius would like to further extend the diversity of its staff at the various managerial levels within the company and thus benefit from the broader range of viewpoints and experience levels of its executives. Professional and personal skills and suitable qualifications will continue to remain the decisive factors for appointing individuals to managerial positions. However, for the future, the company intends to attain a greater blend of genders and cultural backgrounds in its managerial team.

Given the new legal requirements in Germany to achieve an equal balance of gender, these need to be applied to the Supervisory Board. Beyond these requirements, the Supervisory Board and the Executive Board have each defined specific quota targets for the Executive Board and both top management levels:

Supervisory Board

As of January 1, 2016, the German legal quota of 30% for women as the underrepresented gender now applies to the 12-member Supervisory Board of Sartorius AG, whose members shall retain their existing mandates up to the end of the period for which they were elected. Currently, 25% of the Supervisory Board members are female. The shareholder representatives and the employee representatives on the Supervisory Board decided to fulfill the legal target separately. As of the next regular election of Supervisory Board members due to be held in April 2017, it is accordingly provided that at least two women shall be elected to represent the shareholders and at least another two the employees, respectively. This would then correspond to a quota of at least 33%.

Executive Board

The Executive Board is, as a rule, a relatively small committee for which establishment of a rigid quota can be problematic. Currently, the Executive Board of Sartorius AG consists of three people, all of whom are male. Given that Executive Board contracts are still in force, the Supervisory Board defined a quota of 0% up to June 30, 2017.

First and Second Management Levels Below the Executive Board

Over the past years, the percentage of women at the first two management levels below the Executive Board has considerably increased on the whole and is already at a comparably high level. In specific figures, the percentage at the first management level was around 16% as of December 31, 2016, whereas this quota was around 26% at the second level.

For both levels, the Executive Board intends to further increase the percentage of female executives. The board has set a long-term target quota of 30% of the underrepresented gender at each level, which the board plans to gradually achieve over the the next few years. Accordingly, a quota of 25% by June 30, 2017, has been set for the first level below the Executive Board, whereas a quota of 30% is required to be reached by this time at the second level. Despite the relatively short time horizon for this target date, both percentages have been intentionally defined as ambitious quotas. Therefore, it cannot be excluded that these targets might not be completely met in spite of the corresponding efforts made.

Corporate Governance Statement in Accordance with Section 289a of the German Commercial Code (HGB)

The following presents details concerning the mode of operation of the Executive Board and the Supervisory Board and other governance measures employed by the company in accordance with Section 289a of the German Commercial Code (HGB).

Mode of Operation of the Executive Board and Supervisory Board

Sartorius AG is a company under German law founded on the dual management system with an Executive Board and a Supervisory Board, each of which has its own independent competencies.

The Supervisory Board comprises twelve members as defined in the German Codetermination Law (Mitbestimmungsgesetz) and has an equal number of shareholder representatives and employee representatives. The Supervisory Board monitors and advises the Executive Board in its management of the company. Details on the members of the Supervisory Board are provided in the Chapter "Executive Board and Supervisory Board" on pages 162-165.

The Supervisory Board has established four committees: the Executive Task Committee, the Audit Committee, the Conciliation Committee and the Nomination Committee. The Executive Task Committee, Audit Committee and Conciliation Committee each have four members and have an equal number of shareholder representatives and employee representatives. The Executive Task Committee and Audit Committee hold regular meetings; the Conciliation Committee and the Nomination Committee meet only as necessary.

The Executive Task Committee carries out preparatory work for resolutions and issues to be addressed in the meetings of the Supervisory Board. It also looks after the preparations for appointments, including the remuneration and employment contract conditions of members of the Executive Board. The Audit Committee assists the Supervisory Board with the performance of its supervisory function. The chairperson of the Audit Committee is an independent member of the Supervisory Board and has detailed knowledge and extensive experience in the application of accounting standards and internal control systems from his or her own professional practice. The Conciliation Committee meets if the majority required in connection with the appointment of members to the bodies authorized to represent the company for legal purposes is not reached. The Nomination Committee comprises representatives of the shareholders only. Its function is to propose suitable candidates to the Supervisory Board for the latter's election proposals submitted to the Annual Shareholders' Meeting. More information on the individual meetings held in the reporting year by the Supervisory Board and its committees is given in the Report of the Supervisory Board on pages 12-14.

The Executive Board of Sartorius AG currently consists of three members. This board has full responsibility for its actions in managing the company in the latter's interest, with the aim of creating sustainable value. The Executive Board provides the Supervisory Board with regular, prompt and detailed reports, both written and oral, about all relevant corporate planning and strategic development issues and the progress of the Group's business. Significant transactions are discussed in depth by the full Supervisory Board in accordance with the rules of procedure of the Executive Board. The rules of procedure of the Executive Board additionally define the legal transactions that require the approval of the Supervisory Board before such transactions may be effected. The Executive Board and the Supervisory Board work closely together in a spirit of mutual trust on the management and supervision of the company.

Shareholders and Shareholders' Meeting

Sartorius AG shareholders exercise their rights at the company's Shareholders' Meeting. The Shareholders' Meeting is held at least once a year within the first eight months of the fiscal year. The Shareholders' Meeting decides on all of the matters for which it is responsible under the law.

Any shareholder who registers in due time may attend the Shareholders' Meeting. Shareholders who are unable to participate in the Shareholders' Meeting in person may arrange to have their vote cast by a bank, by a shareholders' union, by the proxies who are appointed by Sartorius AG and are bound to follow the instructions issued to them, or by a different proxy of their choice.

Risk Management

Conscientious management of commercial risks is a key principle of good corporate governance. Sartorius AG and the Group have at their disposal enterprise-wide and company-specific reporting and control systems designed to facilitate the recording, assessment and management of commercial risks. These systems are developed and adapted continuously as conditions evolve. The Executive Board notifies the Supervisory Board regularly of existing risks and their development. The Audit Committee is concerned in particular with monitoring of the following: the accounting process including reporting; the efficacy of the internal control system; risk management and the internal auditing system; compliance; and the independent statutory audit. Details on risk management are presented in the Opportunity and Risk Report.

Transparency

Sartorius AG places great importance on disclosing consistent and complete information promptly. Information about the economic position of the Group and new developments is consequently released regularly, without delay, as it becomes known in order to inform participants in the capital market and interested members of the public at large. The annual report, first-half financial report and quarterly reports are published within the timeframes specified for this purpose. Current developments and material events are publicized as press releases and, where appropriate, ad hoc announcements. This information is usually made available in German and English simultaneously and published via suitable media and on the internet.

The chief recurring events and publications, such as the Annual Shareholders' Meeting, the annual report and the interim reports, are listed on a financial calendar that may be viewed at any time on the Group website.

Share Trading Activities of Supervisory and Executive Board Members

We did not receive any reports, under the applicable mandatory disclosure requirements, of any purchases or sales of shares in Sartorius AG or related financial instruments made by the members of the Executive Board and the Supervisory Board or other persons with management responsibilities or their related parties.

Supervisory Board Chairman Prof. Dr. Dres. h.c. Arnold Picot holds approximately 50.1% of the ordinary shares issued by the company in his capacity as executor of the estate of Horst Sartorius, but otherwise no member of the Executive Board or Supervisory Board has any holding of shares or financial instruments subject to the mandatory reporting requirements that directly or indirectly exceeds 1% of the shares issued by the company.

Considering the share capital increase by use of retained earnings that became effective June 1, 2016, the CEO and Chairman of the Executive Board Dr. Joachim Kreuzburg holds 100,000 ordinary shares and 100,000 preference shares in the company. These were transferred to him based on a corresponding agreement arising from his employment contract of December 18, 2015, and are subject to a minimum holding period of four years. For further information on this transfer, please see the Remuneration Report on pp. 72 et seq.

Accounting and Independent Statutory Audit

The consolidated financial statements and the Group Management Report, as well as the consolidated interim financial statements and reports, are prepared in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied within the EU, and according to the commercial law regulations to be applied under Section 315a, Subsection 1, of the German Commercial Code, HGB. The annual financial statements of Sartorius AG are prepared in accordance with German commercial law, HGB. The consolidated financial statements and the annual financial statements are prepared by the Executive Board, audited by the independent auditors elected by the Annual Shareholders' Meeting and approved by the Supervisory Board.

It has been agreed with the independent auditors that they will notify the Supervisory Board directly of any potential disqualification or bias issues and any material findings and incidents identified during the audit. This also encompasses the corporate governance reporting duties pursuant to Section 161 of the German Stock Corporation Law (Aktengesetz).

Code of Conduct

Central to the corporate culture of Sartorius AG is the understanding that we always conduct our business in a sustainable manner compatible with the pertinent economic, environmental and social imperatives. A uniform Code of Conduct applies across the entire Group in order to ensure that our actions are consistent throughout the organization. This Code of Conduct, which applies equally to all of the Group's people, whether they are members of the Executive Board, managing directors, managers or other employees, establishes defined standards formulated to help users successfully navigate ethical and legal challenges in everyday operations. It is in the interest of all employees and of the company for breaches of the Code of Conduct to be investigated, through the Internal Control Systems & Compliance department established for this purpose, and for their causes to be eliminated.

Further information is given in the Sustainability Report on pp. 84 et seq. and on the company's internet website at www.sartorius.com.

The Supervisory Board | The Executive Board

Remuneration Report

1. Main Features of the Remuneration Plan for the Executive Board

General Information

The full Supervisory Board is responsible for establishing the remuneration paid to members of the Executive Board of Sartorius AG. The total value of the remuneration of an Executive Board member reflects the scope of the responsibilities of the Executive Board member concerned, the Executive Board member's personal performance, the company's economic situation and sustainable progress. In addition, the extent to which this amount of remuneration is typical is considered, taking into account peer companies and the remuneration structure in place in other areas of the company and in similar companies.

Remuneration is comprised of both fixed non-performance-based components and of variable performance-based components, and is reviewed annually to ensure that it remains appropriate. The variable performance-based remuneration components consist of those to be paid annually and of multi-year components intended to have a long-term incentive. Fixed non-performance-based remuneration is paid in the year in which it is granted. For 100% target achievement, the variable annual and long-term performance-based components generally represent half of total remuneration, which excludes pension commitments under a defined benefit plan as well as fringe benefits.

Variable Performance-Based Remuneration

The portion of the variable performance-based remuneration that is paid annually is based on the following weighted components: sales revenue | order intake, underlying EBITDA and the ratio of net debt to EBITDA. Minimum target achievement is required for these components. The amount to be paid out depends on the degree to which the target is achieved, which the Supervisory Board defines by setting each individual subordinate target. A cap is provided for each variable component to be paid out. Variable performance-based remuneration is calculated upon approval of the company's annual financial statements for the respective fiscal year and not settled and paid out until the following fiscal year.

Multi-year Components as Long-term Incentives

Weighted components determined by multi-year assessment depend on the development of consolidated net profit in a multi-year period, on the one hand, and on the development of the company's share prices, on the other hand. Multi-year components providing a long-term incentive are based on a three-year average of consolidated net profit and on a four-year average of share prices, respectively. These components are paid out after two fiscal years for net profit and at the earliest after three fiscal years for share prices.

a) Consolidated Net Profit

For this subordinate target, the basis for assessment is the consolidated net profit after non-controlling interest excluding amortization (impairment of the value of intangible assets due to business combinations pursuant to IFRS 3). Target achievement for assessing annual variable remuneration in the particular year under review is based on the average taken over a period of three fiscal years, beginning with the particular year under review. To smooth the amounts to be paid out, a partial payment amounting to 50% of the target achievement for the first fiscal year of each respective average period will be effected. Any overpayments as a result of these partial payments will be offset against other remuneration components once the total target achievement has been determined after the third fiscal year of an average period. A cap for this component is provided as well.

b) Phantom Stock Plan

Through the issue of shadow shares, called phantom stock, Executive Board members are treated as if they were owners of a certain number of shares in Sartorius AG, without, however, being entitled to receive dividends. The development of the value of this phantom stock is linked with the development of the Sartorius share; both increases and decreases in the share price are taken into account. Later, the value of this phantom stock is assessed based on the share price at the time, and its equivalent is paid out, provided that the associated conditions are met. Phantom stock cannot be traded and does not entail any share subscription rights.

According to the Sartorius phantom stock plan, each Executive Board member is credited at the beginning of every year with phantom stock units valued at an

agreed monetary sum. The value of this phantom stock can be paid out only as an entire annual tranche. Payment can be requested, at the earliest, after a period of four years and no later than after eight years.

An Executive Board member is entitled to receive payment for phantom stock units only if the share price at the time of such payment request has appreciated at least 7.5% per year relative to the time the phantom stock was assigned or if the share price outperformed the TecDAX as a comparative index. The phantom stock plan rules out subsequent changes to the parameters used for comparative stock valuation. The amount to be paid is capped at a maximum of 2.5 times the share price at the time the phantom stock was assigned, based in each case on the actual annual tranche concerned.

Assignment of this phantom stock and later payment of its monetary equivalent depend on the mean value calculated from the average prices of both classes of Sartorius AG share, up to the year 2015, and as of the year 2016, on the mean value calculated from the average prices of the preference share, with said prices quoted in the closing auction of Xetra trading on the Frankfurt Stock Exchange over the last 20 days of trading of the previous year or over the last 20 days of trading prior to submission of a payment request. This serves to compensate for any short-term fluctuations in the share prices.

Payment for phantom stock is blocked for the four weeks preceding the scheduled publication date of quarterly and preliminary year-end results and for 20 days of trading on the stock exchange following the actual publication of quarterly and preliminary year-end results. These blackout periods are intended to prevent Executive Board members' profiting from their insider knowledge.

Pension Commitments

According to the company's remuneration policy, Executive Board members of Sartorius AG receive performance-related benefit commitments under a defined benefit plan when reappointed for the first time. In addition to including a basic pension, these commitments provide for the Executive Board member to make his own contribution from his variable earnings and for the company to match this contribution by a bonus amount. An Executive Board member may choose to receive such defined benefits in the form of a retirement pension for old age or as a one-time payment to cover the member's retirement pension for old age and invalidity as well as in the form of survi-

vor's benefits for the surviving spouse and children of the decedent.

Beyond such commitments, an Executive Board member is additionally entitled under a former company pension scheme to receive performance-based retirement benefits based on the salary of a German federal civil servant classified as grade 10 of salary class B for ministry officials according to the Federal Civil Service Remuneration Act [Bundesbesoldungsgesetz]. Such benefits are paid in the form of a retirement pension or old age and invalidity as well as in the form of survivors' benefits for the surviving spouse and children of the decedent.

After a member has turned 65, this shall be considered the regular age limit at which this member shall automatically be entitled to receive all such benefits.

Other Remuneration Components

The remuneration system provides that the Supervisory Board of Sartorius AG at its discretion may grant an Executive Board member special compensation based on that member's exceptional performance.

Early Termination of Executive Board Duties

In the event of any early termination of Executive Board duties, the employment contracts of Executive Board members provide for severance to be capped to a maximum of two annual salaries.

Non-competition Clause

The employment contracts provide for a post-contractual non-competition clause for a duration of two years upon termination of employment with the company. In the event that this non-competition clause is not waived or is nullified, half of the remuneration last paid shall be granted for the duration of the non-competition period.

Fringe Benefits

Beyond the remuneration components stated above, the members of the Executive Board are each entitled to use a company car, reclaim expenses incurred on business travel and to be covered by accident insurance and D&O insurance as fringe benefits. The D&O insurance provides for the application of a deductible or excess in the amount required by law.

Share-based Payment

As a rule, the remuneration policy for Executive Board members does not provide for the transfer of Sartorius AG shares as compensation for members. An exception to this policy rule was made in December 2014 for Dr. Kreuzburg, who was granted entitlement to receive share-based remuneration due to the third extension of his appointment as a member of the Executive Board and as its Chairman and CEO; please refer to Section 3 in this chapter.

2. Remuneration of the Executive Board Members in the Reporting Year

In 2016, the total remuneration for active service provided by all Executive Board members totaled €3,299 K relative to €3,129 K in 2015. Of this aggregate total, €1,672 K accounted for non-performance-based components as "fixed remuneration" (2015: €1,525 K) and €1,627 K for variable performance-based components and multi-year components with a long-term incentive (2015: €1,604 K). Furthermore, as part of the pension commitments to the Executive Board members, the pension service cost totaling €393 K in the reporting year was expensed, following on €364 K in the prior year.

Total Remuneration of the Executive Board Pursuant to § 314, Subsec. 1, No. 6, of the German Commercial Code (HGB)

€ in K	Executive Board (total)		Dr. Joachim Kreuzburg		Jörg Pfirrmann		Reinhard Vogt	
	2016	2015	2016	2015	2016	2015	2016	2015
Fixed remuneration	1,625	1,476	800	726	325	310	500	440
Fringe benefits ¹⁾	47	49	15	15	13	15	19	19
Fixed remuneration	1,672	1,525	815	741	338	325	519	459
Variable performance-based remuneration (1 year) ²⁾	850	886	418	436	170	186	262	264
Variable multi-year components w/ long-term incentive								
Consolidated net profit (3 years) ³⁾	371	348	182	170	78	74	111	104
Phantom stock plan (4–8 years)	406	370	200	182	81	78	125	110
	1,627	1,604	800	788	329	338	498	478
Total remuneration	3,299	3,129	1,615	1,529	667	663	1,017	937

¹⁾ The amounts contributed to D&O insurance totaling €171 K (2015: €171 K) are not included as these refer to the executive bodies of all companies of the Sartorius Group and are not allocated to the individual insurees.

²⁾ Amount corresponds to actual target achievement

³⁾ Amount corresponds to actual target achievement of the plan in which a fiscal year ended; i.e., for 2016, consolidated net profits for 2014–2016 (2015: consolidated net profits for 2013–2015)

⁴⁾ Fair value at the time granted

As part of the remuneration component based on the consolidated net profit of three consecutive fiscal years, each Executive Board member receives a partial compensation payment of 50% of his respective target achievement for the first fiscal year under review. Once the total target achievement has been determined after the third fiscal year, final payment is then effected by deducting the particular partial payment already made. The amounts of the partial payments made in total at the end of the reporting year are shown as follows:

	2016 € in K	2015 € in K
Balance as of Jan. 1 of a fiscal year	311	302
Partial payments deducted	-146	-156
Partial payments effected	222	165
Balance as of Dec. 31 of a fiscal year	387	311

3. Disclosures on Share-based Payments

For multi-year components with a long-term incentive, the phantom stock plan must be generally classified as share-based payment just as is the share-based payment agreed to be granted to Dr. Kreuzburg in December 2014 in connection with the third extension of his appointment as a member of the Executive Board and its Chairman and CEO. The latter share-based payment is explained in detail below:

Dr. Kreuzburg's third appointment as a member of the Executive Board and its Chairman and CEO expired on November 10, 2015. By resolution of the Supervisory Board on December 16, 2014, Dr. Kreuzburg was reappointed as a member of the Executive Board and its Chairman and CEO of the company for the term of November 11, 2015, to November 10, 2020. His employment contract that entered into force on November 11, 2015, provides for granting Dr. Kreuzburg 25,000 ordinary shares and 25,000 preference shares in the company as a supplementary compensation component. These shares were transferred to him on December 18, 2015 and are thus considered granted in 2015. These shares were subject to the stock split implemented in 2016 and now correspond to a number of 100,000 shares of each class. The shares transferred are subject to a holding period that will end on November 10, 2019. Should Dr. Kreuzburg leave the company prior to November 11, 2017, at his own request, he shall be required to transfer all such shares back to the company; if Dr. Kreuzburg leaves the company after November 11, 2017, and before November 11, 2019, at his own request, Dr. Kreuzburg shall be required to transfer half of the shares granted to him back to the company.

The amount resulting since December 16, 2014, for the shares granted are to be spread as an employee benefits expense over the full vesting period and recognized as such in profit or loss. In fiscal 2016, an amount of €1,356K was accordingly recognized as an employee benefits expense resulting from the grant of shares.

The employee benefits expense recognized in profit or loss in connection with the share-based payments is summarized as follows:

	2016 € in K	2015 € in K
Executive Board (total)	1,746	3,098
Phantom stock units	390	1,742
Shares granted	1,356	1,356
Dr. Joachim Kreuzburg	1,548	2,212
Phantom stock units	192	856
Shares granted	1,356	1,356
Jörg Pfirmann	78	367
Phantom stock units	78	367
Shares granted	0	0
Reinhard Vogt	120	519
Phantom stock units	120	519
Shares granted	0	0

Disclosure of Phantom Stock Units

	Number of phantom stock units	Price on assignment in €	Fair value when granted on Jan. 1 of the particular year € in K	Fair value at year-end on Dec. 31, 2015 € in K	Fair value at year-end on Dec. 31, 2016 € in K	Paid in fiscal 2016 € in K	Change in value in fiscal 2016 € in K	Status
Dr. Joachim Kreuzburg								
Tranche for fiscal 2012	17,664	8.28	146	365	0	365	0	paid out in 2016
Tranche for fiscal 2013	9,156	17.34	159	397	397	0	0	Not exercisable
Tranche for fiscal 2014	8,032	21.01	169	422	422	0	0	Not exercisable
Tranche for fiscal 2015	7,360	24.70	182	454	454	0	0	Not exercisable
Sum of the tranches from the previous years	42,212		656	1,638	1,273	365	0	
Tranche for fiscal 2016	3,484	57.41	200	0	192	0	-8	Not exercisable
Total sum of tranches	45,696		856	1,638	1,465	365	-8	
Jörg Pfirrmann								
Tranche for fiscal 2012	7,748	8.28	64	160	0	160	0	paid out in 2016
Tranche for fiscal 2013	3,960	17.34	69	172	172	0	0	Not exercisable
Tranche for fiscal 2014	3,452	21.01	73	181	181	0	0	Not exercisable
Tranche for fiscal 2015	3,140	24.70	78	194	194	0	0	Not exercisable
Sum of the tranches from the previous years	18,300		284	707	547	160	0	
Tranche for fiscal 2016	1,416	57.41	81	0	78	0	-3	Not exercisable
Total sum of tranches	19,716		365	707	625	160	-3	
Reinhard Vogt								
Tranche for fiscal 2012	10,796	8.28	90	223	0	223	0	paid out in 2016
Tranche for fiscal 2013	5,588	17.34	97	242	242	0	0	Not exercisable
Tranche for fiscal 2014	4,880	21.01	103	256	256	0	0	Not exercisable
Tranche for fiscal 2015	4,456	24.70	110	275	275	0	0	Not exercisable
Sum of the tranches from the previous years	25,720		400	996	773	223	0	
Tranche for fiscal 2016	2,176	57.41	125	0	120	0	-5	Not exercisable
Total sum of tranches	27,896		524	996	893	223	-5	

The number of phantom stock units granted as well as the particular grant prices were adjusted to the proportions following the stock split executed in 2016.

4. Pension Commitments

The retirement plan for Executive Board members provides for an old age and disability pension for Dr. Kreuzburg and for an old age pension for Messrs. Pfirrmann and Vogt. To cover such pensions, a benefit contribution amounting to one percent of each pensionable income and of each pensionable bonus is paid into a reinsurance policy. The benefit contribution for Dr. Kreuzburg is 10%; for Messrs. Pfirrmann and Vogt, 14% of their respective pensionable income, which equals their fixed remuneration.

If an Executive Board member elects to convert a portion of his salary to accrued retirement benefits by paying his own contribution into the reinsurance policy, Sartorius matches this by paying a corresponding additional benefit contribution on the reporting date. This amount matched by the company is 5% of the pensionable bonus earned by Dr. Kreuzburg and 7% of the same earned by Messrs. Pfirrmann and Vogt. This pensionable bonus is comprised of their respective one-year variable remuneration and of their respective multi-year remuneration based on the consolidated net profit. The amount of the retirement benefits that Sartorius will pay later to each Executive Board member

and his surviving dependents is dependent on the maturity payment of the insurance policy accrued up to the maturity date, including the policyholders' bonuses earned by the insurance company. An Executive Board member does not acquire any rights to the reinsurance policy; Sartorius shall be solely vested with such rights at all times.

Furthermore, an earlier pension agreement granted to Dr. Kreuzburg provides that he will receive a monthly pension of 70% of the basic salary of a German federal civil servant classified as grade 10 of salary class B for ministry officials according to the Federal Civil Service Remuneration Act (Bundesbesoldungsgesetz) in the respective version applicable. With each full year of service, 5% of his full pension is vested until after his full pension will have been reached after 20 years. Arrangements for pensions of surviving dependents basically provide for a widow's pension of 60% and an orphan's pension for each child amounting to 20% of his pension.

The projected pension payments, the present value of pension obligations and service cost are shown in the following table:

€ in K	Projected pension payment p.a.	Present value of the obligation (IFRS)		Service cost (IFRS)	
		Dec. 31, 2016	Dec. 31, 2015	2016	2015
Dr. Joachim Kreuzburg	235	2,741	2,143	233	234
Jörg Pfirrmann	105	375	293	64	59
Reinhard Vogt	39	475	351	96	71
	379	3,591	2,787	393	364

5. Disclosures Required by the German Corporate Governance Code (DCGK)

The following table shows the benefits granted for the year 2016, including the fringe benefits and the attainable maximum and minimum remuneration for the variable remuneration components in line with the requirements of the DCGK of lit. 4.2.5 of June 2014:

	Dr. Joachim Kreuzburg				Jörg Pfirrmann				Reinhard Vogt			
	2016 (min)	2016 (max)	2016	2015	2016 (min)	2016 (max)	2016	2015	2016 (min)	2016 (max)	2016	2015
Benefits granted € in K												
Fixed remuneration	800	800	800	726	325	325	325	310	500	500	500	440
Fringe benefits	15	15	15	15	13	13	13	15	19	19	19	19
Total non-performance-based remuneration	815	815	815	741	338	338	338	325	519	519	519	459
Variable performance-based remuneration (1 year)	0	480	400	363	0	195	163	155	0	300	250	220
Variable multi-year components w/ long-term incentive												
Consolidated net profit (2016–2018)	0	240	200		0	98	81		0	150	125	
Consolidated net profit (2015–2017)				182				78				110
Phantom stock plan 2016 (holding period 2016–2019)	0	500	200		0	203	81		0	312	125	
Phantom stock plan 2015 (holding period 2015–2018)				182				78				110
	815	2,035	1,615	1,467	338	834	663	635	519	1,281	1,019	899
Post-employment benefits	233	233	233	234	64	64	64	59	96	96	96	71
Total remuneration	1,048	2,268	1,848	1,701	402	898	727	694	615	1,377	1,115	970

The inflows of the various remuneration components in the reporting year are shown in the following table:

	Dr. Joachim Kreuzburg		Jörg Pfirrmann		Reinhard Vogt	
Benefits received € in K	2016	2015	2016	2015	2016	2015
Fixed remuneration	800	726	325	310	500	440
Fringe benefits	15	15	13	15	19	19
Total non-performance-based remuneration	815	741	338	325	519	459
Variable performance-based remuneration (1 year) ¹⁾	418	436	170	186	262	264
Variable multi-year components w/ long-term incentive						
Consolidated net profit (2014–2016) ¹⁾	182		78		111	
Consolidated net profit (2013–2015) ¹⁾		170		74		104
Phantom stock plan 2012 ²⁾	365		160		223	
Phantom stock plan 2011 ²⁾		344		156		212
Shares granted		4,888				
	1,780	6,579	746	741	1,115	1,039
Post-employment benefits	233	234	64	59	96	71
Total remuneration	2,013	6,813	810	800	1,211	1,110

¹⁾ Amount equal to actual target achievement

²⁾ Paid out in the fiscal year

6. Main Features of the Remuneration Plan for the Supervisory Board

The remuneration for Supervisory Board members is defined in the Articles of Association of Sartorius AG and comprises fixed remuneration, meeting attendance fees and reimbursement of out-of-pocket expenses. Members serving as chairperson and vice chairperson of the Supervisory Board receive higher fixed remuneration.

Members and chairpersons of Supervisory Board committees are entitled to receive additional annual fixed amounts and meeting attendance fees and reimbursement of their out-of-pocket expenses. These amounts do not apply in relation to the Nomination Committee or to the committee pursuant to Section 27, Subsection 3, of the German Codetermination Law (MitBestG).

7. Remuneration of the Supervisory Board Members

	2016 € in K	2015 € in K
Remuneration for the Supervisory Board Members		
Total remuneration	957	960
Fixed remuneration	600	600
Compensation for committee work	80	80
Meeting attendance fee	184	169
Remuneration for individual services ²⁾	0	18
Total remuneration for the Sartorius Stedim Biotech subgroup	93	93
Remuneration from Sartorius Stedim Biotech GmbH, Goettingen	38	39
Remuneration from Sartorius Stedim Biotech S.A., Aubagne	55	54

	2016 € in K	2015 € in K
Prof. Dr. Dres. h.c. Arnold Picot (Chairman)		
Total remuneration	266	261
Fixed remuneration	120	120
Compensation for committee work	24	24
Meeting attendance fee	29	24
Total remuneration for the Sartorius Stedim Biotech subgroup	93	93
Remuneration from Sartorius Stedim Biotech GmbH, Goettingen	38	39
Remuneration from Sartorius Stedim Biotech S.A., Aubagne	55	54

	2016 € in K	2015 € in K
Dr. Dirk Basting		
Total remuneration	49	49
Fixed remuneration	40	40
Meeting attendance fee	9	9

	2016 € in K	2015 € in K
Annette Becker¹⁾		
Total remuneration	49	49
Fixed remuneration	40	40
Meeting attendance fee	9	9

	2016 € in K	2015 € in K
Uwe Bretthauer¹⁾		
Total remuneration	85	79
Fixed remuneration	40	40
Compensation for committee work	16	16
Meeting attendance fee	29	23

	2016 € in K	2015 € in K
Michael Dohrmann¹⁾		
Total remuneration	49	49
Fixed remuneration	40	40
Meeting attendance fee	9	9

	2016 € in K	2015 € in K
Dr. Lothar Kappich		
Total remuneration	49	49
Fixed remuneration	40	40
Meeting attendance fee	9	9

	2016 € in K	2015 € in K
Petra Kirchhoff		
Total remuneration	49	49
Fixed remuneration	40	40
Meeting attendance fee	9	9

	2016 € in K	2015 € in K
Karoline Kleinschmidt¹⁾		
Total remuneration	49	49
Fixed remuneration	40	40
Meeting attendance fee	9	9

	2016 € in K	2015 € in K
Prof. Dr. Gerd Krieger		
Total remuneration	68	84
Fixed remuneration	40	40
Compensation for committee work	8	8
Meeting attendance fee	20	18
Remuneration for individual services ²⁾	0	18

	2016 € in K	2015 € in K
Prof. Dr. Thomas Scheper		
Total remuneration	48	49
Fixed remuneration	40	40
Meeting attendance fee	8	9

	2016 € in K	2015 € in K
Prof. Dr. Klaus Trützschler		
Total remuneration	71	73
Fixed remuneration	40	40
Compensation for committee work	16	16
Meeting attendance fee	15	17

	2016 € in K	2015 € in K
Manfred Zaffke¹⁾ (Vice Chairman)		
Total remuneration	125	120
Fixed remuneration	80	80
Compensation for committee work	16	16
Meeting attendance fee	29	24

¹⁾ The employee representatives declared that they donate their Supervisory Board remuneration to the foundation Hans-Böckler-Stiftung according to the guidelines of the German Trade Union Association.

²⁾ Remuneration for the legal firm Hengeler Mueller whose partner is Dr. Gerd Krieger, Professor of Law.

Beyond their Supervisory Board remuneration, the employee representatives who are employees within the Sartorius Group receive compensation that is not related to their service on the Supervisory Board.

8. Remuneration of Former Managing Directors

	2016 € in K	2015 € in K
Remuneration of Former Managing Directors		
Remuneration of former managing directors and members of the Executive Board as well as their surviving dependents	498	487
Retirement benefits and pension obligations to former managing directors and members of the Executive Board as well as their surviving dependents	7,485	7,468

Any circumstances beyond the disclosures made above and required to be reported according to Section 289, Subsection 4, and Section 315, Subsection 4, of the German Commercial Code "HGB" do not exist or are unknown.

Sustainability Report

03

Sustainability at Sartorius

Sustainability is firmly embedded in the DNA code of Sartorius, which will soon celebrate its 150th anniversary. Our primary business responsibility is to offer attractive products and solutions to our customers. Innovations, as well as strategic and operational excellence, are key to meeting this objective. Our employees with their ideas, expertise and passion are also contributing to the success of Sartorius.

Our products help in many different ways to deliver benefits to society. For example, these products are used in the biopharmaceutical industry to produce medical drugs safely and efficiently, as well as to ensure their quality. Beyond this, our laboratory instruments and consumables are employed in research, helping to enable scientific progress in the most diverse scientific disciplines. Doing this sustainably, we believe, means taking a broad-based, long-term view of our business that includes social and ecological considerations and preserves the rights and interests of our stakeholders.

Sartorius has made sustainability a responsibility of the Chief Executive Officer in recognition of its overarching importance for the company.

Dimensions of Sustainability



In addition to its key financial performance indicators used to manage the Sartorius Group, we have defined non-financial indicators that enable the impact of our business activities on stakeholders, the environment and society to be assessed.

In line with this approach, Sartorius conducts its reporting activities according to the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) using the "In accordance"-Core option. Beginning on p. 100, the GRI Standards Content Index offers an overview of the standard disclosures, as well as economic, ecological and social performance indicators.

In selecting the material non-financial aspects, we follow the guidance based on the legal framework. In our sustainability reporting, we have mostly included the information required by the European CRS Directive as of the financial year 2017 on disclosure of non-financial and diversity information on the subjects of environmental matters, social and employee aspects, respect for human rights and anti-corruption and bribery issues. Beyond this, the expectations of key stakeholders affect the content and further development of our sustainability approach. Due to its business model, Sartorius engages in a very close dialogue with its stakeholders and uses this interchange to identify the particular aspects of sustainability and responsible corporate governance that are highly important to these different groups.

The Sustainability Report is published annually as part of the Group Annual Report. The reporting period is the fiscal year. Unless otherwise indicated, the employee-related data covers all Sartorius companies. The environmental indicators encompass all our production companies representing 74.5 % of the total headcount, unless otherwise specified. Most of the data has been gathered internally; in addition, data on consumption is provided by our utility companies.

This report was not audited externally. For informational purposes, a sustainability report for our subgroup Sartorius Stedim Biotech S.A. accounting for around two-thirds of all Sartorius activities is mostly identical to this Group sustainability report and is an integral part of the audit of the former's annual financial statements.

Sustainable Corporate Management

Our activities are based on our corporate values: sustainability, openness and enjoyment. These values govern how we interact daily inside our company and connect us outside – with our customers, investors and society at large. In addition, they guide us in the definition of our strategies and their implementation.

Open Dialogue with Stakeholders

As a company that works in a spirit of partnership with others, we maintain an open and constructive dialogue with various stakeholders and consider sustainability aspects that are important to these groups, both now and in the future. With respect to sustainability, we view our customers, employees, investors and society as our most important stakeholders. Beyond these, suppliers and business partners have a stake in the sustainable and prosperous development of our company.

Customers

Our objective is to offer our customers attractive products and solutions. As we earn around 80% of our revenue through direct sales, we are in very close contact with our customers. We are also continuously informed about our customers' current requirements and priorities through audits, product demonstrations and tests that we perform in our application laboratories. Beyond such requirements, our sustainable products help our customers reach their own sustainability goals.

Employees

Motivated and efficient staff members are indispensable in ensuring our business success. Regional and Group-wide employee surveys, annual performance reviews and an open working atmosphere help us discover what our employees find satisfying about the company, and where they see potential for improvement. The results of these surveys suggest relevant topics that we implement as specific plans of action at our local sites.

Investors

Sartorius creates transparency and continuity for its shareholders. We engage in a dialogue with our investors also about our environmental and social responsibility as well as corporate governance topics at roadshows, investor conferences and as part of capital market days. Sartorius participates in sustainability analyses and ratings to gauge its performance concerning its environmental, social and governance-related business practices (ESG). MSCI ESG Research, for example, one of the world's largest rating agencies in this field, rated Sartorius in 2016 as AA, the second best evaluation, with respect to its sustainability aspects.

Society

Sartorius maintains good neighborly relationships with local residents and public authorities, and considers their interests and expectations on our business activities. Such interests and expectations relate, in particular, to paying our fair share of taxes, maintaining job security, complying with legal requirements, conserving and protecting environmental resources and to promoting infrastructure.

To us, potential employees are a special social group. Precisely young and qualified staff is appreciated by companies that take social responsibility. A value-oriented corporate culture and sustained employee engagement help to convey a positive image of Sartorius to social communities, thus increasing our attractiveness as an employer.

Compliance with Legal and Ethical Standards

Sartorius conducts its business in compliance with globally accepted ethical standards and applicable national legal requirements. Our actions reflect the principles of responsible corporate governance and control that seeks to create sustainable added value. These principles include the protection of our stakeholders' interests, transparent communications, appropriate risk management and proper accounting and auditing. Sartorius follows the rules and recommendations of the German Corporate Governance Code in its current version of May 5, 2015.

Global Compliance System Established

Our globally applicable compliance system is intended to ensure that our Supervisory and Executive Board members, management and employees comply with all legal regulations and codes, and act according to our internal guidelines. We systematically raise awareness of relevant compliance issues among our staff to prevent misconduct, financial losses and damage to our image. The Internal Control Systems | Compliance department is responsible for internal auditing, corporate security, environmental management, data protection, risk management, anti-corruption and export control. As in the past fiscal years, there were no significant fines or non-monetary penalties owing to violations of laws or regulations in the reporting year.

The Sartorius Code of Conduct and Sartorius Anti-Corruption Code define our requirements on our employees with respect to responsible conduct. These codes help employees act ethically and in accordance with the law in their daily work. All of our employees worldwide complete a training course in which they learn how to deal with ethically or legally problematic situations. A whistleblower portal and a telephone hotline enable employees, suppliers, customers and partners to report any dubious conduct anonymously.

Sartorius adheres to the principles of the United Nations Universal Declaration of Human Rights, the conventions of the International Labor Organization (ILO) and the United Nations Global Compact, the world's largest initiative for human rights, work standards, environmental protection and anti-corruption. The company rejects all forms of forced, compulsory and child labor and explicitly expects its suppliers to do the same. As a business partner, we act with integrity and fairness in our dealings with competitors, suppliers and customers.

The remuneration paid by Sartorius for regular working hours, overtime and compensation for hours worked in excess of contract or regular work schedules meets industry standards and/or the legal minimum wage, and sometimes even exceeds them, for instance, as additional variable components linked to both the progress of the company and the attainment of personal targets.

Code of Conduct for Suppliers

We expect our suppliers and service providers to comply with internationally recognized social and environmental standards, to respect the law and to uphold

the tenets of fair competition. The company excludes existing or new suppliers who are determined to be the source of considerable risks regarding compulsory, forced or child labor, other violations of human rights or negative effects on society. We have set out our requirements in our Code of Conduct for Suppliers and Service Providers.

Due Dilligence

In contemplating acquisitions, Sartorius has a standard policy in place as part of its due diligence processes to assess non-financial aspects as well. These include, inter alia, compliance with legal standards and the effectiveness of compliance systems. Moreover, we include personnel and environmental aspects in our assessment of risks and opportunities of such potential takeover candidates. We seek to retain key top performers for our company by taking special measures.

The following evaluations refer to all people employed at Sartorius as of December 31, 2016, except for the 72 staff members of the two companies purchased in 2016, IntelliCyt and ViroCyt.

Employee Development and Support

Continuing professional development, assumption of responsibility, and opportunities to advance within the company are important for our employees' satisfaction. Such opportunities safeguard their employability and open up new professional prospects for them. Moreover, motivated, well-trained employees are a significant success factor for us as a company.

Training and Continuing Education

Sartorius retains its qualified employees by offering targeted continuing education courses, even outside their home countries. At the company's large sites in France, Germany (without Celca), India, Puerto Rico and Tunisia, where 66.2% of the workforce is employed, 75,719 hours were invested in further training during the reporting year. On average, each employee completed 16.9 hours of training or continuing education.

The Sartorius continuing education program covers a broad diversity of subjects. Sartorius College offers all employees a wide range of training and continuing personal development opportunities in a number of different languages to help enhance their language and methodological skills. Specialized courses and targeted on-the-job training teach required skills and

expertise. We develop these programs continuously and adapt them to the changing needs of our employees and the company.

Annual performance reviews between employees and their managers provide a forum for discussing performance, targets and individual development opportunities. We conduct all annual performance reviews worldwide using the same criteria.

Sartorius fills management vacancies from within its own ranks whenever possible. We help junior managers build up their management skills through specific projects directly related to the company's business. Sartorius provides a separate development program for experienced management staff in line with our leadership guidelines to strengthen our common management culture.

As an alternative to the classic manager career, Sartorius enables scientists and engineers in R&D, in particular, to pursue an expert career path, which helps recognize the value of their expert knowledge for the success of the company and to offer experts and project managers adequate development prospects.

Temporary Assignments

Sartorius encourages its employees to network within the company and to transfer temporarily to its other departments or sites. Our internal job market also offers a variety of prospects to further develop and even change jobs. The basic conditions for temporary assignments in foreign countries are transparently defined for all staff members.

Finding and Retaining Talented Young Staff

We continually gain additional talented and well-qualified employees and build their loyalty to ensure the success of the company in the future as well. Our company specifically attracts people who not only contribute their expertise, but also their openness, a sense of responsibility and a proactive willingness to further develop their own field of work. Sartorius uses classic career fairs and digital professional networks to attract the attention of talented people, and collaborates with the respective universities, institutes and organizations.

Promoting Young Academics

The aim of our own international Sartorius Scholarship program is to gain qualified young academics, particularly from the global growth markets, for our company. For many years, we have been supporting talented students and graduates in scientific and technical disciplines. Students from sales and marketing can also apply for a Sartorius scholarship. The company aids these recipients not just financially, but also helps them technically and personally. For example, each Sartorius scholarship holder is assigned a mentor from within our own organization.

As part of its cooperation with institutions across the globe, Sartorius awarded further scholarships in the reporting year; for example, twelve as part of the Deutschlandstipendium program, an initiative of the German government.

Sartorius participates regularly in European Union funding programs, such as the Marie Curie program for young scientists and the Leonardo da Vinci program for international vocational education. We enable our interns to participate in a variety of training courses. Thanks to an alliance with the Kedge Business School in Marseille, France, the interns at our Aubagne site, for example, can attend the Master of Business Administration courses offered there.

Initial Qualification of Newcomers to the Workforce

Solid initial vocational training has traditionally been greatly important to Sartorius in order to gain highly qualified skilled labor for the company over the long term. As in previous years, a large proportion of trainees were taken on by the company as regular employees after they had successfully passed their final examinations.

In Germany, the Group offers vocational training and education in a total of 22 different professions and eight work-study programs. Sartorius employed a total of 127 trainees and 18 students as of the reporting date on December 31, 2016, of which 95 were men and 50 were women. This number also includes two trainees who are registered as disabled.

We conduct foreign exchange programs for trainees that enable those with an interest in gaining international experience to spend a number of weeks at a Group site in another country as part of their professional training. Promising young people at Sartorius also have the opportunity to prepare themselves for specific future roles through highly practical work-

study programs in the natural sciences and in business administration.

Certified Vocational Training and Work-Study Programs at Sartorius in Germany

Vocational Study Programs Offered by the German Chamber of Commerce and Industry IHK

Recognized professions in commerce

- Event manager
- Industrial business administrator
- Office management assistant
- IT application specialist
- IT system integration specialist
- Warehouse logistics specialist
- Warehouse operator

Recognized professions in the natural sciences

- Skilled chemistry technician
- Physics laboratory assistant
- Chemical laboratory assistant

Recognized professions in skilled trade and skilled technical jobs

- Mechatronics engineer
- Electronics technician for automation technology
- Electronics technician for equipment and systems
- Milling machine operator
- Industrial mechatronics engineer
- Construction technician
- Skilled machine and plant operator
- Plant technician
- Technical product designer
- Certified production technician
- Machine tool technician
- Process technician

Work-study programs

- Bachelor of Arts, Business Administration
- Bachelor of Engineering, Electrical and Electronic Engineering | Information Technology
- Bachelor of Engineering, Electrical and Electronic Engineering | Information Technology
- Bachelor of Engineering, Precision Machinery
- Bachelor of Engineering, Production Technology
- Bachelor of Science, Biotechnology
- Bachelor of Science, Information Technology
- Bachelor of Science, Business Information Management Systems

Diversity as an Opportunity

As a globally operating company, we do business in a wide variety of the world's regions and markets. The diversity of our procurement and sales markets is reflected by our corporate culture and represents added value for us as the productive interaction with different perspectives and backgrounds helps us to better understand the needs of our customers, develop perfectly tailored solutions and to remain competitive in a globalized economy. When filling management positions, we likewise aim to achieve a mix of cultures, genders and age groups.

Employees from Almost 70 Nations

Today, people from almost 70 countries work well as a team at Sartorius. Alone our Group headquarters in Goettingen, Germany is home to employees from 46 nations. As of December 31, 2016, 62.0% of the Group's employees were employed outside Germany, 0.5 percentage points more than in the year before. Over half of the company's managers came from outside Germany. Throughout its sites, Sartorius relies on local management. We promote international opportunities for our employees' development, for instance, through temporary deployment at other sites or international teamwork.

Women in Managerial Positions

In line with the German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sectors, Sartorius plans to increase the proportion of women at the first level of management below the Executive Board by mid-2017 to 25%. At the second level, this proportion is set to rise to 30%. Regarding the number of women to be appointed to the Supervisory Board, the statutory quota of at least 30% applies.

The proportion of women in our total workforce has been steadily increasing for years and, at the end of the reporting year, was 38.6%, 1.3 percentage points more than in 2015.

In the reporting period, Sartorius employed 161 people who are registered as severely disabled, 129 in Germany and 23 in France.

Freedom and Flexibility at Work

Sartorius assigns its employees demanding tasks, delegates responsibility at an early stage and gives them freedom to arrange their daily work. In Germany and other countries, we meet our employees' different needs and requirements of life situations by providing various options for structuring their employment flexibly. Flextime, part-time work and teleworking offer employees models that help them find the right balance between family, work and leisure. Increasing digitalization of workplaces opens up new options for staff to set their own work schedules self-reliantly through time management. To our employees, this flexibility is critical for their satisfaction with Sartorius, and it increases our attractiveness as an employer.

A Family-Friendly Company

In the reporting year, 5.5% or 379 people were working part-time at the Sartorius Group, 45 more than in 2015 and most of which in Germany. In addition to flexible work schedules, our response to the need for work-life balance includes child care opportunities. In Goettingen, for example, we have offers for school-age children during school vacation periods. Sartorius has already won a number of awards for its family-friendly policies.

Attrition and Absenteeism Further Decrease

The success of our measures to create a motivating work atmosphere is reflected by our low attrition rates. Despite the large number of new hires as the result of the company's growth, seniority remains at a high level.

	2016	2015
Number of staff who left ¹⁾	76	74
Attrition rate ²⁾ , excluding expired fixed-term contracts in %	6.6	7.1
Attrition rate ²⁾ , including expired fixed-term contracts in %	9.2	10.6

¹⁾ Owing to dismissals or layoffs by the company

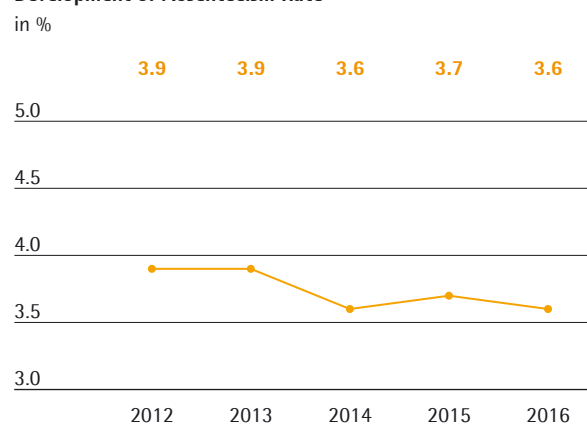
²⁾ Ratio of people leaving the company as a percentage of the average headcount (2016: 6,679.3), including contracts terminated by either the employee or the employer, retirements, and other reasons for leaving the company

³⁾ Excluding time lost due to long-term health conditions and maternity, parental, sabbatical and unpaid leave

The attrition rate expresses the number of people leaving the company as a percentage of the average head count. Excluding expired fixed-term contracts, this figure at Sartorius was 6.6% in the reporting year, 0.5 percentage points under the low level a year ago. In general, fluctuation is subject to sizable regional differences. Europe typically has the lowest levels of staff turnover, whereas changing employers is more common in Asia and fluctuation there is usually high. At Sartorius, too, staff turnover was the lowest at the Group's German sites, at 2.7%. In India, Sartorius has decreased this attrition rate through a variety of measures aimed at increasing employee loyalty and motivation.

The absenteeism rate, defined as the proportion of planning working time that is not worked due to general absences, was 3.6% in the reporting year, approximately at the previous year's level. This rate is generally dependent on factors such as influenza waves. The average number of days missed per employee due to illness was 6.9 days in the reporting year; this figure was 7.1 days a year ago.

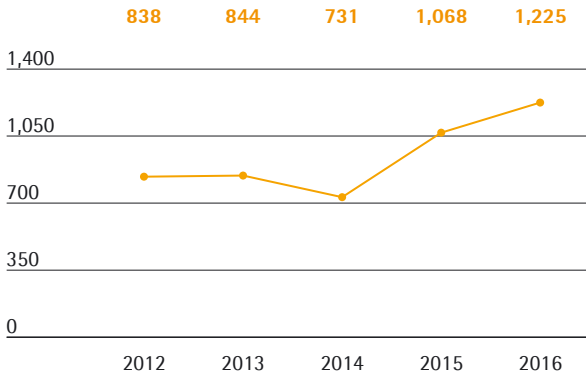
Development of Absenteeism Rate¹⁾



¹⁾ Excluding time lost due to long-term health conditions and maternity, parental, sabbatical and unpaid leave

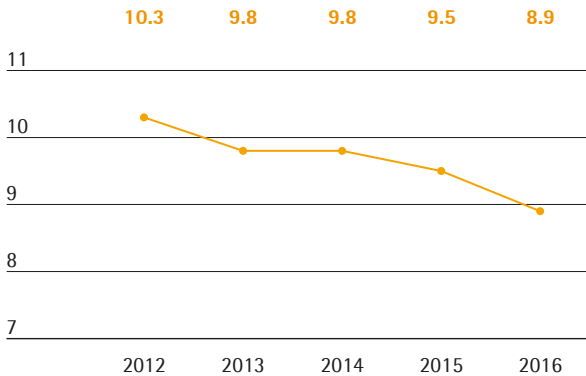
Balanced Combination of Staff with High Seniority and New Hires

Development of New Hires
headcount



As a result of the consistently high number of new hires, the average seniority again decreased slightly in the reporting year. In 2016, about half of the employees had been with Sartorius for less than five years. One-fourth of the workforce had been working for 15 years or more at the company.

Development of Average Seniority
in years



Information on the total headcount, distribution by division, region and function and on the age structure and percentage of women is provided at page 35 and 36.

Health Protection and Safety

The Group's corporate health management policy addresses both the physical and psycho-social elements of health to enhance employee performance and motivation, ensure their employability and to reduce illness-related costs. We promote an awareness of personal health among all employees through special action days and sports programs at individual sites. High-level managers in Germany can take advantage of an annual medical checkup at a selected partner clinic. We have advisory and assistance services in place, especially for employees on business travel or international deployment, where they can obtain help in the event of any medical emergencies, accidents or security threats. In Germany and France, employees with professional or personal problems have access to an external counseling service, free of charge.

High Safety Standards

Sartorius has high safety standards to minimize job-related medical conditions, risks to health, and potential causes of industrial accidents. At our company, we use guidance provided by the requirements of the International Labor Organization (ILO) as well as national regulations and recommendations. Job safety and work organization conditions are continuously improved. Planned employee training on topics of occupational health and safety and environmental protection ensure that our staff members recognize risks and avoid them accordingly.

In the reporting year, the number of work-related accidents decreased by 301 days compared with 2015, although the absolute number of work-related accidents rose from 49 in 2015 to 82 in the reporting year. The severity rate also shows that the majority of these accidents did not entail any very severe injuries; this figure dropped by 48 days per million workhours to 133.8 days. Sartorius analyzes these accidents regularly and derives accident prevention measures from them that can also be used for other sites. At our local Group locations, work safety committees confer regularly to discuss measures that promote health and prevent work-related accidents.

Statistics on Accidents at Work

	2016	2015
Number of work accidents	82	49
Number of days lost due to work accidents	1,543	1,844
Frequency rate ¹⁾	7.1	4.8
Severity rate ²⁾	133.8	181.8

¹⁾ Number of accidents per 1,000,000 working hours

²⁾ Number of days lost due to work accidents per 1,000,000 working hours

Trusting Relationship Between Employer and Employees

One aspect of our corporate culture is that we regularly and promptly share information with our employees about our financial progress, our strategic objectives and changes within the company. This information is disseminated by internal memos, newsletters and the employees' magazine, among other means of communication. The Group companies comply with applicable national regulations governing the minimum periods of notification regarding changes to company operations. There are no collective agreements in this respect.

Sartorius works with employee representative bodies Group-wide in a spirit of trust. The concrete form of the employer-employee relationship differs by country. In Germany, the German Codetermination Law (MitBestG) and the Works Council Constitution Act (BetrVG), among others, govern employee participation in operational decisions. Our employees in Germany are represented by a total of five employees' councils. In 2016, 19 company agreements – applying to a good 75% of all our employees – were signed at the German plant sites. These concerned reintegration of employees following a long illness- or accident-related absence from work; flexible transition to retirement; and temporary relocation to a different office complex.

Ecological Sustainability

Sustainable production and ecological product innovations are key to our long-term financial success. Sartorius designs its manufacturing processes to conserve resources, and offers products that are not only efficient and safe, but also provide added ecological value for our customers. Growth coupled with underproportionate use of natural resources: this is a goal that we at Sartorius achieve at various levels.

The focal points of our ecological sustainability management are compliance with environmental regulations, efficient handling of our energy, water and waste resources and the further eco-friendly development of our products.

Again in fiscal 2016, no specific environmental risks requiring provisions to be set up were identified.

High Standards in Quality and Environmental Protection

The number of Sartorius manufacturing companies certified according to internationally recognized standards is continuously increasing. Currently, all our manufacturing sites are certified for compliance with the series of international standards for quality management, ISO 9001, apart from Tagelswangen in Switzerland, which employs around 50 people. An ISO 14001 environmental management system has been introduced at our two largest plants in Goettingen, Germany, as well as in Aubagne, France; Beijing, China; Bangalore, India; Kajaani, Finland; and Suzhou, China. Related to the number of employees working at our manufacturing sites, 63% of these sites meet the requirements of the ISO 14001 international standard for environmental protection. These two management systems ensure that we comply with quality requirements in the manufacture of our products, conserve the resources we use and prevent environmental risks. We also operate an energy management system according to ISO 50001 at our four German facilities. In relation to the number of employees at these plants, this represents 44% of all our manufacturing sites.

Continuous Improvement of Processes

Supported by regular EHS meetings and briefings, persons responsible for EHS at our international sites ensure compliance with environmental laws, regulatory requirements and standards. A working group of members from our worldwide locations develops recommendations for harmonizing and continuously improving our processes in three areas: the environment, health and occupational safety. In 2016, Sartorius introduced a software solution to standardize and accelerate the process of global data acquisition. Starting in 2017, the data on sustainability will be centrally collected by this system.

Energy Consumption and Greenhouse Gases

As a technology company that manufactures products, Sartorius consumes the major part of its energy at its 21 production sites. Our largest site in Goettingen accounts for 70.5% of the energy used by all our manufacturing plants. For this reason, this Group headquarters site is a focal point of our energy-saving measures and plays a pioneering role.

Emissions Monitoring in Line with the Greenhouse Gas Protocol

Since 2013, Sartorius has been recording greenhouse gas emissions in line with the Greenhouse Gas Protocol (GHG), a global standard. We thus account for emissions not only of CO₂, but of all gases of relevance to climate change, and report them in CO₂ equivalents (CO₂eq). Currently, we report climate-relevant emissions that are directly given off by our production sites (Scope 1). We also report energy indirect emissions that arise during power generation by external energy suppliers (Scope 2). At Sartorius, we presently record other greenhouse gas emissions, such as those associated with the manufacture of precursor products and distribution operations (Scope 3), only at our main production site for single-use bags in Aubagne. We are considering phased integration of Scope 3 greenhouse gas emissions, which are time-consuming to record and calculate.

Energy Consumption and Greenhouse Gases

	2016	2015
Total energy consumption in MWh	104,696	111,300¹⁾
- of which electricity	57,105	53,755
- of which natural gas	42,147	53,140 ¹⁾
- of which fuels ²⁾	2,197	2,331
- of which other energy sources ³⁾	3,247	2,074
Total greenhouse gas emissions in t CO_{2eq}⁴⁾	32,652	30,880¹⁾
- Scope 1 ⁵⁾	11,765	11,405 ¹⁾
- Scope 2	20,887	19,475
Key indicators		
CO _{2eq} emissions per employee in t ⁶⁾	6.5	6.7 ¹⁾

¹⁾ Adjusted

²⁾ Only diesel consumption for electricity generators

³⁾ Including liquid gas

⁴⁾ Emissions in t of CO_{2eq} were calculated by the University of Applied Sciences and Arts Goettingen using emission factors listed in professional software "Gabi"

⁵⁾ Excluding fuel consumption for car fleet

⁶⁾ Based on the average number of employees at the production sites; 2016: 5,037

Primary energy sources, such as coal, oil and natural gas, represent 43.5% of our total energy consumption, with natural gas accounting for a major share. Secondary energy, such as electricity generated by primary energy sources, constitutes 55.8% of our power requirements. Regenerative energy covers 0.7% of the Group's needs.

At our Goettingen site, we also produce our own electricity and heat to some extent using two combined eco-friendly heat and power (CHP) plants fueled by natural gas. However, we purchase most of our electricity from suppliers. Emissions from the consumption of electricity at Sartorius are classified as Scope 2 and account for two-thirds of its emissions of relevance to climate change. The remaining one-third of climate-relevant emissions can be attributed to the combustion of fossil fuels (Scope 1).

Emissions from solvents, which occur mainly in filter manufacturing at the Goettingen and Yauco sites, amounted to 45.3 metric tons total carbon in the reporting year (2015: 40.6 metric tons). The proportion of total carbon relevant to greenhouse gas emissions has been taken into account when calculating the CO_{2eq} figure.

Climate Footprint at the Aubagne Site

Scope 1, 2 and 3 emissions at the Aubagne site for manufacturing single-use bags have been assessed for quite some years according to the "Bilan Carbone" method developed by the French Environment and Energy Management Agency (ADEME). It also includes indirect greenhouse gas emissions generated by preliminary and subsequent steps across the value-added chain. Results for 2014, the most recent year analyzed, yields the following distribution: Over half of our ecological footprint is caused by freight transport (29%) and by preliminary products that Sartorius sources from its suppliers (22%). Business travel and work-related commuting by employees contributes 20% to the generation of greenhouse gas emissions; energy consumption in buildings, 10%; packaging 9%. Based on these data, the site set up a plan of action for ongoing reductions in CO₂ emissions.

Use of Advanced Technology to Reduce CO₂

Sartorius is adapting to the negative consequences of climate change and endeavoring to continuously reduce greenhouse gas emissions associated with its business. In addition, more efficient use of energy is economically sensible.

At our largest manufacturing site in Goettingen, we already put our first combined heat and power (CHP) plant into operation back in 2008 and a further CHP plant in 2014. These power plants optimally use energy with 90% efficiency. As a result, this site generates 20% of its electricity needs, using the heat produced to cover 17% of its heating requirements.

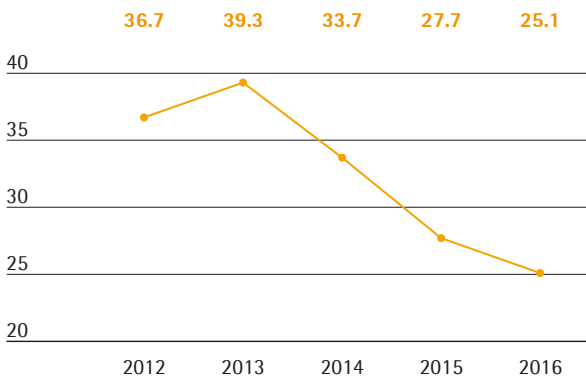
By operating combined heat and power plants, an advanced compressed air center for controlling production equipment, and intelligent control systems, Sartorius reduces its annual carbon dioxide emissions by about 7,000 metric tons. Its energy management system enables additional energy-saving potential to be identified in specific areas.

We continue to further develop existing production processes and buildings at our international sites too in order to reduce our consumption of resources.

Sartorius reduces transportation routes that burden the environment by supplying the various markets directly from its local production facilities. Where possible and practical, we ship via environmentally friendlier sea freight instead of air freight. Sartorius also works to minimize energy consumption caused by business travel, for example, by making greater use of teleconferencing as well as video conferencing.

The success of our measures is reflected in the company's overall energy consumption and greenhouse gas emissions, which have increased at a much lower rate over the few last years than the company's expansion in terms of sales revenue.

Development of Climate -Relevant Emissions
in proportion to annual sales, in t/€ in millions



Water Consumption

Sartorius considers water a valuable resource and uses it responsibly at its sites. The company takes care to reduce water consumption and soil sealing, particularly at its manufacturing plants located in baseline water stress areas according to the Aqueduct Water Risk Atlas, such as Yauco, Bangalore and Beijing. Most of the water used is for rinsing in the manufacture of filter membranes according to the precipitation bath method at the Goettingen site.

Water Consumption

	2016	2015
Water consumption in cbm	410,919	359,445
Water consumption per employee in cbm ¹⁾	82.0	82.0
Wastewater Biological Oxygen Demand - BDO ²⁾ in t	213.2	242.7

¹⁾ Based on the average number of employees at the production sites; 2016: 5,037

²⁾ Contaminated wastewater only; without sanitary wastewater

Sartorius primarily draws water from the public water supply, but also uses surface water. The total volume of water discharged into public sewage systems corresponds roughly to the company's total water consumption, plus rainwater drainage. The biochemical oxygen demand, which defines the amount of oxygen needed to break down the organic compounds in wastewater, is calculated for the proportion of production wastewater that is classified as significant.

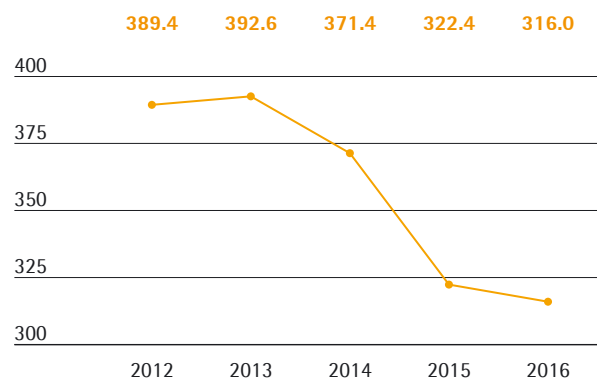
Sustainable Use of Water Resources

When expanding our membrane production capacity at the Goettingen site, we purchased advanced casting machines that need considerably less water for rinsing procedures than earlier machine generations. Our own water treatment plants that we operate at our large production sites also help ensure efficient use of water. At our Yauco manufacturing plant, we reduced consumption of water by around 85% compared with conventional factories, thanks in part to an intelligent design for the use of rainwater. In Bangalore, we minimized sealing of the production facility grounds, and its large green spaces enable rainwater to seep into the soil.

Our water consumption has also been considerably decreasing since 2012 in proportion to our increasing sales revenue.

Development of Water Consumption

in proportion to annual sales, in cbm/€ in millions



Waste

We strive to reduce waste and use sorting systems to help ensure that reusable materials can be recycled, lowering the proportion of waste stored in landfills.

Amount of Waste

	2016	2015
Total amount of waste in t	4,570	4,085
- of which waste for recycling in t	2,637	2,090
- of which waste for disposal in t	1,933	1,995
Waste per employee in t/€ ¹⁾	0.91	0.93
Recycling quota in %	57.7	51.2

¹⁾ Based on the average number of employees at the production sites; 2016: 5,037

Sartorius applies the relevant regulations on environmentally compatible design and recycling in force around the world to its own electronic products, such as balances and other laboratory instruments. Materials such as heavy and precious metals have to be recovered for reuse rather than landfilled. Since 2010, the Group sites in Germany, at which 57% of all our waste is produced, have been using an electronic signature system for hazardous waste items, such as acids and substances containing oil. This ensures that the generation and disposal of hazardous waste products are documented digitally and can be traced in full. In Germany, the proportion of waste that counts as hazardous waste was 34% in the reporting year.

Sartorius fulfills existing legal regulations governing the return and recycling of its products and their packaging.

We give away unsold food from our cafeterias in Goettingen to a local charity organization. Any food that cannot be donated is sent to a biogas facility for anaerobic digestion to generate biogas from this organic food waste.

We dispose of waste primarily in the country in which it is generated; thus, international waste transport currently does not apply to us.

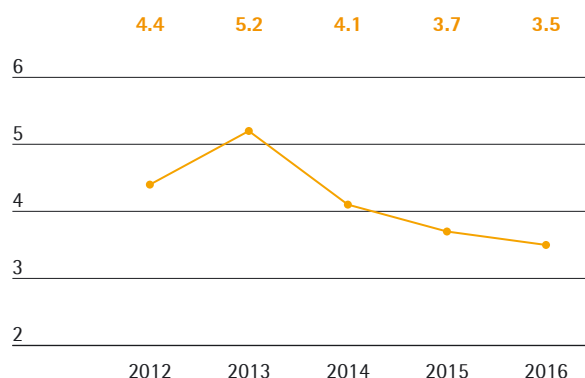
Continuous Reduction in the Generation of Waste

Organic solvents, which we need for manufacturing membranes for filter cartridges, are recovered and recycled. The Goettingen facility, which accounts for most of our solvent usage, has a solvent reprocessing plant on site so that solvents can be reused in production operations. In this way, we maintain closed-loop material cycles, minimize transportation requirements and reduce the quantities of water used and wastewater produced. By conducting our own research and development, we also continuously lower the relative volume of solvents needed for membrane manufacture.

Due to safety regulations that apply to specific products, the use of recycled plastics at Sartorius is limited; these materials are employed in small amounts in certain functional components of its balances, for instance.

Development of Waste

in proportion to annual sales, in t/€ in millions



Use of Ecologically Safe Raw Materials

Based on an international ERP software standard in use, Sartorius developed a hazardous materials management system that enables chemicals to be selected within the Group by a release process. As a result, it is also possible to provide safety data sheets for customers as well as instructions for the in-house use and handling of such hazardous substances. The legal basis for releasing such materials is constituted by global and national regulations, such as REACH (Registration, Evaluation, Authorisation of Chemicals) and GHS (Globally Harmonised System), as well as RoHS (Restriction of the use of certain hazardous substances in electrical and electronic equipment) for our laboratory instruments.

For our product manufacturing, we have defined three types of raw material as particularly important: chemicals for filter membranes, plastics for single-use products, and stainless steel for reusable bioreactors and systems. In the reporting year, we purchased 5,216 metric tons of chemicals; in 2015, this figure was 4,325 metric tons. The quantity of purchased plastic rose from 1,467 metric tons to 1,568 metric tons in the reporting year; the quantity of stainless steel decreased to 869 metric tons (2015: 25,870 metric tons). These figures may vary to some extent as they reflect the quantities purchased and not the amounts used.

Despite product-specific differences, the real net output ratio at Sartorius is rather high, particularly for its core technologies: membrane filters, plastic film and laboratory balances. The expenses for raw materials and supplies, including merchandise, and for the cost of purchased good and services from about 6,000 suppliers and service providers worldwide were €386.7 million in the reporting year. This equates to around 30% of sales revenue.

Environmentally Friendly Infrastructure Expansion

We invest continuously in new plants and plant expansions to accommodate our constant growth. In the process, we comply with local regulations and practices for land use. Our production facilities utilize zoned industrial areas that are remote from nature conservation areas and green spaces. We maintain extensive green spaces at our sites too, avoiding unnecessary ground sealing that prevents water from entering the soil. Although we generally estimate that our impact on biodiversity is negligible, we strive to meet the special protection needs of biodiversity hotspots, where our factories in Tunisia and Puerto Rico are located.

New Buildings Certified According to Environmental Standards

In constructing new facilities, we follow the recognized standards for sustainable building as guidance. For example, our site in Yauco, Puerto Rico, which was expanded in 2012 to serve as the central manufacturing and logistics hub for the North American market, meets the highest U.S. standards for green, resource-saving and efficient construction. We even became the first pharmaceutical industry supplier worldwide to achieve Platinum-level certification of our production building in Yauco under the U.S. Green Building Council's LEED initiative. Moreover, Sartorius considers ecological, economic and social factors when developing and expanding our Group headquarters in Goettin-

gen. We are pursuing certification by the German Sustainable Building Council (DGNB) for the new building at which we started up manufacturing operations of laboratory instruments in 2016. Alone the primary energy needed to heat this new facility lies 45% below the value prescribed for Germany. With our electricity charging stations, we have also have created the infrastructure to increase electromobility. At our other sites, too, our advanced ecological utilities and technologies for buildings often exceed the requirements of national environmental protection regulations.

Product Safety and Sustainable Product Innovations

Sartorius supplies its products to manufacturers of pharmaceuticals, foods and chemicals, as well as to research and development laboratories. A high level of product quality and delivery reliability is critical for our customers in these strictly regulated industries. The company employs rigorous quality checks and advanced manufacturing methods and processes to ensure that when used as intended, these products comply with good manufacturing practices (cGMPs) and pose no risk to health or safety. Detailed application brochures and our Services unit support customers in the correct use of our products. Sartorius has established a traceability system that enables us to recall entire product batches immediately in the event of any major non-conforming items or defects.

Our efforts to enhance the environmental performance of our products and production methods begin at the research and development stage. We decrease our use of materials and increase the proportion of environmentally friendly raw materials whenever this can be done without compromising the safety or functionality of our products or packaging. Sartorius also works with partners from industry and the scientific community in this respect.

High-Performance Products Improve Customers' Environmental Footprints

For economic reasons, single-use products are becoming increasingly widespread in the manufacture of medications. Studies have shown that over their product life cycles, single-use products made of plastic are far superior to complex reusable systems in their consumption of energy, water and chemicals. In a typical industrial manufacturing process for monoclonal antibodies, for instance, manufacturers employing predominantly single-use products need around 80% less water and 30% less energy than when primarily

reusable solutions are used. In addition, the deployment of single-use product solutions reduces the size of production units: manufacturers require 30% less space, thus saving energy and materials. Other studies have confirmed that the energy needed for sterilization, cleaning and materials in processes based on single-use products is around half that of conventional processes.¹⁾

Although single-use products have clear environmental benefits in terms of energy and water consumption, their usage generates more waste. Yet consistent reuse and recycling can improve environmental performance here as well. The ultrapure plastics we utilize to manufacture various single-use products contain around 80% to 90% of the energy of pure crude oil and are thus valuable secondary raw materials. The high energy content of polymers, for example, means that they can be reused as fuel in heat and/or power generation.

The integrated solutions of the Sartorius FlexAct product line combine the ecological benefits fundamentally offered by single-use technologies and the advantages of lower material usage thanks to adaptable and space-saving systems. The central FlexAct control unit, for example, can be used in a number of different biopharmaceutical processes.

Technical refinements to its membrane filter series have enabled Sartorius to slash consumption of ultrapure water for wetting and rinsing the membranes by around 95%. The filters' significantly lower adsorption lessens the loss of expensive protein solution. As a result, pharmaceutical manufacturers can substantially reduce the use of resources, while achieving higher yields.

Our Sartorius process monitoring and control technology also reduces material consumption and helps prevent defective batches. The Sartorius Services unit analyzes customer processes holistically and identifies areas that offer potential for economic and environmental improvements.

¹⁾ Sources: Sinclair A., Lindsay I., et al.: The Environmental Impact of Disposable Technologies. BioPharm Int. November 2, 2008. <http://www.biopharmservices.com/docs/EnvironmentImpactDisposables.pdf>; Rawlings B., Pora H.: Environmental Impact of Single-use and Reusable Bioprocess Systems. BioProcess Int. February 2009: 18 - 25.

Contributing to Society

Our products help the pharmaceutical and biopharmaceutical industry to develop and manufacture medications at the forefront of technology. Single-use products, in particular, contribute toward faster development of new biopharmaceuticals that improve treatment of serious diseases, such as cancer and autoimmune illnesses. As a result, Sartorius is helping to supply society with safe, effective and affordable medical drugs.

Beyond this, our business operations have many positive effects on the development of the cities and communities in which we are based, the great majority of which have been home to Sartorius for many years. Particularly at our production facilities located in small to mid-sized cities and communities, such as our Goettingen, Guxhagen, Aubagne and Yauco sites, we rank among the important private employers and customers in their regions, contributing to the growth and purchasing power of such communities.

Together with its cooperation partners, Sartorius is actively involved in shaping the economic and social environments around its sites. The company also helps make the regions in which it operates more attractive for current and future employees alike by providing financial support for projects in education, culture, social affairs and sports.

Our social outreach activities targeting areas beyond our home regions concentrate on fields linked to our core business. Promoting research and education and supporting events for the scientific community remain our chief priorities.

Sartorius is politically independent and does not provide financial or in-kind support to politicians or political parties.

Dedicated to the Local Environment

Together with representatives of politics, industry and society, our local subsidiaries at a number of our larger sites in Goettingen, Aubagne, Bohemia and Yauco are involved in initiatives to strengthen the competitiveness of their regions. Long-term partnerships ensure reliable business relationships for regional organizations. We maintain an open and constructive dialogue with the various local stakeholder groups and notify them promptly and in full of any activities and developments that touch upon their areas of concern. Several examples from Goettingen and Yauco are presented below.

A Reliable Partner

At the Goettingen Group headquarters site, we are a longstanding member of the local logistics network and the Measurement Valley business association, an alliance of small and midsize measurement technology companies established to boost the local economy. We are also involved in the local climate protection initiative to reduce CO₂ emissions; collaborate with Goettingen's Georg-August University and various scientific institutions; are an industrial partner to several Goettingen high schools; and participate among the sponsors of the internationally renowned Goettingen Handel Festival, the city's "Literaturherbst" fall literature festival, and the men's team of the local basketball club BG Göttingen, which currently plays in Germany's top division, as well as the women's team, which plays in the second division. In 2016, Sartorius continued its trainee program for refugees from the Middle East and Africa as part of its activities in cooperating with the city of Goettingen and the local employment agency. In 2015, we had launched a similar program and were able to offer job perspectives to many of the refugees at the end of this initiative.

At our subsidiary in Yauco, Puerto Rico, Sartorius works with more than ten local schools, and awards around 20 scholarships annually to especially talented high-school and university students from low-income families. In addition, visits to the company are organized to motivate these young people to begin vocational training or university studies. Sartorius also sponsored a variety of youth sports teams and other local sporting events, as well as supported two local organizations that look after homeless people in Yauco.

Christmas Donation Instead of Gifts

Besides its regional social engagement, Sartorius also has been supporting internationally active non-profit organizations since 2014 by making charitable donations as part of the company's "Christmas Donations Instead of Gifts" initiative. In the reporting year, Sartorius again donated €75,000 to the global medical aid organization action medeor, which supplies life-saving medications to a mobile health clinic in difficult-to-access regions of northern Iraq.

Alliances with Research and Educational Institutions

Promoting academic excellence and interdisciplinary communication are key aspects of our long-term alliances with research and educational institutions. The Florenz Sartorius Prize we created to recognize outstanding academic achievement is awarded twice a year to the best in class in the Faculty of Economic Sciences at Goettingen's Georg-August University. Within the scope of the German federal government's scholarship program, "Deutschlandstipendium," Sartorius also provided financial aid and practical assistance in career counseling to outstanding students in the reporting year.

Easing Young Graduates into Their Careers

At our French site in Aubagne, we have been collaborating with eminent schools and universities for many years, such as the École Nationale Supérieure de Technologie des Biomolécules in Bordeaux, to support the education and training of biotechnology engineers and business administrators and help young graduates ease into their careers.

Support for Events for the Scientific Community

As a partner to the pharmaceutical industry, Sartorius takes part in symposiums, conventions, annual conferences and events for this industry. For instance, we regularly support the international and regional annual conferences of the International Society for Pharmaceutical Engineering (ISPE), an independent not-for-profit association dedicated to employee education and information sharing across the pharmaceutical industry worldwide. In 2016, Sartorius also participated in several events on quality assurance of medications, such as the Drug Quality & Safety Conference in China and the Pharmaceutical Quality Week in Belarus.

GRI Content Index

Organization and Report Profile

General Standard Disclosures

		Page	Externally audited
Organizational Profile			
102-1	Name of the organization	Combined Group management report, p. 22	Yes
102-2	Primary brands, products, and services	Combined Group management report, p. 24ff.	Yes
102-3	Location of the organization's headquarters	Combined Group management report, p. 22.	Yes
102-4	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Notes to the financial statements, p. 125ff.; Supplementary information, p. 172f.	Yes
102-5	Nature of ownership and legal form	Combined Group management report, p. 22	Yes
102-6	Markets served	Combined Group management report, p. 22	Yes
102-7	Scale of the organization	Combined Group management report, p. 22ff.	Yes
102-8	Employees profile, total number of employees	Combined Group management report, p. 35f.	Yes
102-9	Supply Chain	Opportunity and risk report, p. 54	Yes
102-10	Significant changes to the organisation and its supply chain	Combined Group management report, p. 23	Yes
102-11	Precautionary principle or approach	Sustainable corporate management, p. 85f.; Health protection and safety, p. 90	
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Compliance with legal and ethical standards, p. 86	
102-13	Membership of associations	Compliance with legal and ethical standards, p. 86	
Strategy and Analysis			
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102-15	Description of the key impacts, risks, and opportunities	Opportunity and risk report, p. 52	Yes
Ethics and Integrity			
102-16	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Report and declaration on corporate governance, p. 68ff.; Compliance with legal and ethical standards, p. 85f.	Yes
Governance			
102-18	Governance structure of the organization, including committees of the highest governance body	Combined Group management report, p. 22	Yes
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102-47	Material aspects identified in the process for defining report content	Sustainable corporate management, p. 84; Open dialogue with stakeholders, p. 85	
102-48	Restatements of information provided in previous reports	Sustainable corporate management, p. 84	
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102-53	Contact point for questions regarding the report	Financial schedule, p. 181	

102-54	Claims of reporting in accordance with the GRI Standards	Sustainability corporate management, p. 84
102-55	GRI content index	Sustainability report, p. 100ff.
102-56	External assurance	Sustainable corporate management, p. 84; Independent auditor's report, p. 161

Category: Economic

Specific Standard Disclosures

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203-1	Development and impact of infrastructure investments and services supported	Contributing to society p. 98f.	
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Consolidated Financial Statements and Notes

04

Statement of Profit or Loss | Other Comprehensive Income

	Notes	2016 € in K	2015 € in K
Sales revenue	[9]	1,300,296	1,114,752
Cost of sales	[10]	-668,501	-563,005
Gross profit on sales		631,795	551,747
Selling and distribution expenses	[10]	-256,607	-225,889
Research and development expenses	[10]	-59,416	-52,511
General administrative expenses	[10]	-74,713	-65,736
Other operating income and expenses	[11]	-20,592	-15,264
Earnings before interest and taxes (EBIT)		220,466	192,347
Financial income	[12]	5,665	6,634
Financial expenses	[12]	-22,025	-26,598
Financial result		-16,360	-19,964
Profit before tax		204,106	172,383
Income taxes	[13]	-59,104	-54,986
Profit after tax from continuing operations		145,002	117,398
Profit after tax from discontinued operation	[32]	0	40,841
Net profit for the period		145,002	158,239
Attributable to:			
Equity holders of Sartorius AG		102,932	126,303
Non-controlling interest		42,070	31,936
Earnings per share	[14]		
Earnings per ordinary share (€) (basic = undiluted)		1.50	1.85
Of which continuing operations		1.50	1.25
Of which discontinued operation		0.00	0.60
Earnings per ordinary share (€) (diluted)		1.50	1.85
Of which continuing operations		1.50	1.25
Of which discontinued operation		0.00	0.60
Earnings per preference share (€) (basic = undiluted)		1.51	1.86
Of which continuing operations		1.51	1.26
Of which discontinued operation		0.00	0.60
Earnings per preference share (€) (diluted)		1.51	1.86
Of which continuing operations		1.51	1.26
Of which discontinued operation		0.00	0.60

To ensure better comparability, the calculation of the earnings per share was adjusted for the previous year as a consequence of the stock split (see Section 21).

Statement of Comprehensive Income

	2016 € in K	2015 € in K
Net profit for the period	145,002	158,239
Cash flow hedges	-7,310	-1,723
Of which effective portion of the changes in fair value	-2,580	-10,668
Of which reclassified to profit or loss	-4,730	8,945
Income tax on cash flow hedges	2,193	517
Net investment in a foreign operation	1,797	-5,306
Income tax on net investment in a foreign operation	-539	1,592
Currency translation differences	444	23,687
Reclassification of currency reserves in connection with the sale of Intec	0	-1,506
Items that may be reclassified to profit or loss, net of tax	-3,415	17,261
Remeasurements of the net defined benefit liability	-4,706	2,195
Income tax on remeasurements of the net defined benefit liability	1,232	-734
Items that will not be reclassified to profit or loss, net of tax	-3,474	1,462
Other comprehensive income after tax	-6,889	18,723
Total comprehensive income	138,113	176,961
Attributable to:		
Equity holders of Sartorius AG	97,784	140,619
Non-controlling interest	40,328	36,343

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Statement of Financial Position

	Notes	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Non-current assets			
Goodwill	[15]	467,831	405,377
Other intangible assets	[15]	267,409	209,256
Property, plant and equipment	[16]	394,011	317,444
Financial assets		7,508	8,111
Other assets		865	797
Deferred tax assets	[17]	27,743	18,874
		1,165,366	959,858
Current assets			
Inventories	[18]	222,184	189,782
Trade receivables	[19]	241,240	193,034
Other financial assets	[20]	15,007	11,818
Current tax assets		21,601	12,029
Other assets		21,977	17,919
Cash and cash equivalents		62,027	52,796
Assets classified as held for sale	[16]	3,583	0
		587,619	477,377
		1,752,986	1,437,235
	Notes	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Equity			
Equity attributable to Sartorius AG shareholders		579,669	517,734
Issued capital	[21]	68,388	17,097
Capital reserves	[22]	38,415	88,350
Other reserves and retained earnings	[22]	472,866	412,287
Non-controlling interest		157,133	127,017
		736,802	644,751
Non-current liabilities			
Pension provisions	[24]	64,082	59,801
Other provisions	[25]	7,805	7,736
Loans and borrowings	[26]	433,032	346,791
Finance lease liabilities	[26]	18,917	19,253
Other financial liabilities	[26]	73,653	54,535
Deferred tax liabilities	[17]	54,327	33,418
		651,816	521,534
Current liabilities			
Provisions	[27]	18,104	18,087
Trade payables	[28]	120,371	113,171
Loans and borrowings	[26]	92,964	28,200
Finance lease liabilities	[26]	3,023	2,544
Employee Benefits		49,014	44,127
Other financial liabilities	[28]	32,260	22,751
Current tax liabilities		23,634	20,651
Other liabilities	[28]	24,999	21,419
		364,368	270,950
		1,752,986	1,437,235

Statement of Cash Flows

	Notes	2016 € in K	2015 € in K
Profit before tax		204,106	213,861
Financial result	[12]	16,360	19,649
Earnings before interest and taxes (EBIT)		220,466	233,510
Depreciation amortization of intangible and tangible assets	[15] [16]	75,706	58,852
Increase decrease in provisions	[25] [27]	-2,545	3,381
Proceeds from the disposal of the Intec operation		0	-40,439
Income taxes paid	[13]	-65,879	-46,078
Other non-cash transactions		2,391	1,634
Gross cash flows from operating activities		230,139	210,860
Increase decrease in receivables	[19] [20]	-52,985	-41,441
Increase decrease in inventories	[18]	-27,363	-39,188
Increase decrease in liabilities		20,630	-4,869
Net cash flow from operating activities		170,421	125,362
Net cash flow from operating activities - continuing operations		170,421	124,351
Net cash flow from operating activities - discontinued operation		0	1,011
Capital expenditures	[15] [16]	-148,764	-111,436
Other payments		0	856
Net cash flow from investing activities		-148,764	-110,579
Payments for acquisitions of consolidated subsidiaries and other business operations; net of cash acquired	[8]	-119,462	-53,888
Proceeds from the disposal of consolidated subsidiaries and other business operations, less cash disposed		0	73,100
Net cash flow from investing activities and acquisitions		-268,226	-91,367
Net cash flow from investing activities - continuing operations		-268,226	-164,283
Net cash flow from investing activities - discontinued operation		0	72,916
Interest received	[12]	234	493
Interest paid and other financial charges	[12]	-9,927	-11,810
Dividends paid to:			
- Shareholders of Sartorius AG		-25,816	-18,240
- Non-controlling interest		-8,713	-5,577
Gross cash flows from financing activities		-44,221	-35,134
Changes in non-controlling interest	[23]	0	-7357
Loans and borrowings raised	[26]	234,543	105,075
Loans and borrowings repaid	[26]	-85,613	-103,399
Net cash flow from financing activities		104,709	-40,815
Net cash flow from financing activities - continuing operations		104,709	-40,815
Net cash flow from financing activities - discontinued operation		0	0
Net increase decrease in cash and cash equivalents		6,905	-6,821
Cash and cash equivalents at the beginning of the period		52,796	56,438
Net effect of currency translation on cash and cash equivalents		2,327	3,179
Cash and cash equivalents at the end of the period		62,027	52,796

Statement of Changes in Equity

€ in K	Issued capital	Capital reserves	Cash flow hedging reserves	Pension reserves	Retained earnings	Foreign currency translation reserves	Equity attributable to Sartorius AG shareholders	Non-controlling interest	Total equity
Balance at Jan. 1, 2015	17,047	87,044	-2,174	-19,364	307,602	7,769	397,924	99,739	497,663
Net profit for the period	0	0	0	0	126,303	0	126,303	31,936	158,239
Cash flow hedges	0	0	-1,365	0	0	0	-1,365	-358	-1,723
Remeasurements of the net defined benefit liability	0	0	0	2,430	0	0	2,430	-235	2,195
Currency translation differences	0	0	0	-163	0	17,758	17,595	6,092	23,687
Reclassification of currency reserves for Intec				0	0	-1,506	-1,506	0	-1,506
Net investment in a foreign operation	0	0	0	0	-3,595	0	-3,595	-1,711	-5,306
Tax effects	0	0	409	-731	1,078	0	756	619	1,375
Other comprehensive income after tax	0	0	-955	1,537	-2,517	16,252	14,316	4,407	18,723
Total comprehensive income	0	0	-955	1,537	123,785	16,252	140,619	36,343	176,961
Share-based payments	50	1306			0		1,356		1,356
Dividends					-18,240		-18,240	-5,577	-23,817
Reclassification of the pension reserves for Intec				2,696	-2,696		0	0	0
Change in non-controlling interest					-3,812		-3,812	-3,487	-7,300
Other changes in equity					-113	0	-113	0	-113
Balance at Dec. 31, 2015 Jan. 1, 2016	17,097	88,350	-3,129	-15,131	406,526	24,021	517,733	127,018	644,751
Net profit for the period					102,932		102,932	42,070	145,002
Cash flow hedges			-5,957				-5,957	-1,353	-7,310
Remeasurements of the net defined benefit liability				-4,247			-4,247	-459	-4,706
Currency translation differences						254	254	189	444
Net investment in a foreign operation					2,631		2,631	-834	1,797
Tax effects			1,785	1,173	-787		2,170	716	2,886
Other comprehensive income after tax	0	0	-4,172	-3,074	1,844	254	-5,148	-1,742	-6,889
Total comprehensive income	0	0	-4,172	-3,074	104,776	254	97,784	40,328	138,113
Share-based payments		1,356					1,356		1,356
Dividends					-25,816		-25,816	-8,713	-34,529
Purchase price liability Israel					-13,417		-13,417		-13,417
Change in non-controlling interest				-10	1,510		1,500	-1,500	0
Share split	51,291	-51,291			0		0		0
Other changes in equity				553	-24		529		529
Balance at December 31, 2016	68,388	38,415	-7,301	-17,663	473,555	24,275	579,669	157,133	736,802

The dividends paid per share are as follows:

	Per share in €	2016 total € in K	Per share in €	2015 total € in K
Dividend for ordinary shares	0.37	12,830	0.26	9,040
Dividend for preference shares	0.38	12,987	0.27	9,201
		25,816		18,240

Notes to the Financial Statements

1. General Information

Sartorius AG is a listed joint stock corporation established according to German law and is the highest-level parent company of the Sartorius Group. The corporation is recorded in the German Commercial Register of the District Court of Goettingen (HRB 1970) and is headquartered at Weender Landstrasse 94–108 in Goettingen, Federal Republic of Germany.

The Sartorius Group organizes its business in two divisions: Bioprocess Solutions and Lab Products & Services. With its Bioprocess Solutions Division, Sartorius is a leading international supplier of products and technologies for the manufacture of medications and vaccines on a biological basis, so-called biopharmaceuticals. As part of its total solutions provider strategy, the Bioprocess Solutions Division offers the biopharmaceutical industry a product portfolio that covers nearly all process steps of the industry's manufacture. These encompass cell culture media for the cultivation of cells, bioreactors of various sizes for cell propagation and different technologies, such as filters and bags for cell harvesting, purification and concentration, all the way to filling. The Lab Products & Services Division focuses on laboratories in the research and quality assurance sectors of pharmaceutical and biopharmaceutical companies and on academic research institutes. It serves further customers in the chemical and food industries. The division's portfolio covers instruments and consumables that laboratories use, for example, in sample preparation or in other standard applications.

The Industrial Technologies Division (formerly Industrial Weighing) was sold at the beginning of 2015.

In compliance with §315a, Subsection 1, of the German Commercial Code (HGB) in conjunction with Art. 4 of the Regulation (EC) No. 1606/2002 of the European Parliament and Council, dated July 19, 2002 (OJ L243 p. 1), the consolidated financial statements of the Sartorius Group for the year ended December 31, 2016, were prepared according to the IFRS and IFRIC Standards and Interpretations of the International Accounting Standards Board (IASB) as required to be applied by the European Union. These are available on the following site:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The consolidated financial statements are prepared in euros. Unless otherwise specified, all amounts are disclosed in thousands of euros (abbreviated as € in K). In some cases, the sums of the figures given in this report may not precisely equal the stated totals, and percentages may not be exact due to rounding.

The Executive Board is scheduled to submit the consolidated financial statements on February 21, 2017, to the Supervisory Board.

2. Effects from New or Amended Standards

Standards to Be Applied for the First Time in 2016

Compared to the year-earlier consolidated financial statements, the following new or revised accounting standards were generally required to be applied for the first time and did not result in any material impacts on the consolidated financial statements:

– Annual improvements to IFRS: Cycle 2010 - 2012 (issued in December 2013)

The objective of this project is to adapt the wording of individual IFRSs to clarify existing rules. Among the changes are those with an effect on the financial statement disclosures. Such changes affect the Standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

– Annual improvements of IFRS: Cycle 2012 - 2014 (issued in September 2014)

This Cycle affected the Standards IFRS 5, IFRS 7, IAS 19 and IAS 34.

– Amendments to IAS 1 (Disclosure Initiative)

The revisions pertain to various disclosure requirements, and clarify that information needs to be disclosed in the notes only if it is not immaterial. Materiality considerations also explicitly apply if a standard calls for a list of minimum disclosures.

– Amendments to IAS 16 and 38 (Clarification of Acceptable Methods of Depreciation and Amortization)

With these amendments, the IASB provides further guidance for determining an acceptable method of depreciation and amortization. Revenue-based meth-

ods are not permissible for property, plant and equipment and are only permissible for intangible assets in specific exceptional cases (rebuttable presumption of inappropriateness).

– Amendments to IAS 19 (Employee Contributions)

The revisions clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Amendments to IAS 27 (Equity Methods in Separate Financial Statements)

This Amendment permits the equity method to be used again as an option to account for investments in subsidiaries, joint ventures and associates in the entity's (investor's) separate financial statements (of the parent corporation), which had been removed earlier under IAS 27.

– Amendments to IFRS 11 (Accounting for Acquisitions of Interests in Joint Operations)

With the changes in IFRS 11, IASB regulates the accounting for the acquisition of shares in a joint operation, which constitutes a business according to IFRS 3, Business Combinations. In such cases, the acquirer shall apply the principles of the accounting for business combinations according to IFRS 3. Furthermore, the disclosure requirements in IFRS 3 also apply in such cases.

New Standards and Interpretations Not Yet Applied

The Standards, Interpretations and Amendments to standards on the following page were not yet applied to the consolidated financial statements of the reporting year as they had not yet been adopted by the EU or their application was not obligatory for 2016:

IFRS 15, Revenue from Contracts with Customers

This Standard defines a comprehensive model to determine when to recognize revenue and at what amount. It replaces existing guidelines for measurement of revenue, including IAS 18, Revenue; IAS 11, Construction Contracts; and IFRIC 13, Customer Loyalty Programmes.

IFRS 15 will essentially have an impact on the recognition of construction contracts as defined by IAS 11. Currently, revenue is recognized according to the percentage of completion (PoC method), whereas the progress of a project is measured according to the costs incurred (cost-to-cost method). According to IFRS 15, control is the decisive criterion for recognition of revenue. Compared with the accounting practice so far under IAS 11, this can result in shifts in the recognition of revenue in the future.

Moreover, as a result of initial application of IFRS 15, the Group will have extended disclosure obligations in view of the type, amount, timing and uncertainty of revenues and cash flows from contracts with customers as defined by IFRS 15.

According to the status of its analysis so far, the Group assumes that there will not be any completely retroactive application of this Standard, but rather that it can use the simplification options now available.

IFRS 9, Financial Instruments

This Standard issued in July 2014 replaces the existing guidelines in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 contains the revised guidance for classification and measurement of financial instruments, including a new model of expected credit losses for calculation of the impairment of financial assets, as well as the new, general hedge accounting requirements. The Standard also adopts the guidance from IAS 39 for measurement and derecognition of financial instruments.

Classification and Measurement

IFRS 9 contains a new classification and measurement approach for financial assets, which reflects both the entity's business model (held-to-collect, held-to-collect-and-sell, other) within the scope of which assets are held, and the contractual cash flow characteristics (SPPI criterion). According to the current state of knowledge, it can be assumed that the held-to-collect business model is applied to the majority of the financial assets in the consolidated financial statements. Moreover, it is assumed that the cash flows of the financial assets essentially consist of interest and principal payments (SPPI).

Impairments

The Standard replaces the incurred loss model for impairment measurement by the expected loss model. According to IFRS 9, impairments are either measured on the basis of the 12-month expected credit losses or on the basis of the full lifetime expected credit losses. In the Sartorius Group, the simplified impairment approach is essentially used to measure trade receivables. The impacts of the new requirements of this Standard are currently assessed as low.

Hedge Accounting

In first applying IFRS 9, the Group may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. As part of its hedge accounting, the Group uses forward exchange contracts to hedge against fluctuations in cash flows in connection with changes in foreign exchange rates from product disposals, in this case designating only the spot element of hedging instruments. When IFRS 9 is applied, the change in the time value component can be recognized in other comprehensive income in order to amortize in parallel with the impact of the hedged underlying transaction on the revenue results. The Group aims to convert its accounting treatment of time value components and thus expects lower profit or loss volatility.

First-time Application

The Group intends to make use of the exception of not adjusting its comparative information concerning the disclosure and measurement (including impairment) for previous reporting periods. At the beginning of the first reporting period (January 1, 2018), differences between the carrying amounts so far and those at the beginning of the first reporting period would have to be recognized without effect on profit or loss due to the application of IFRS 9.

IFRS 16, Leases

IFRS 16 introduces a standardized accounting model according to which leases are to be recognized on the lessee's balance sheet. A lessee measures a right-of-use asset representing his right to use a lease asset, as well as a liability resulting from the lease, which represents his obligation to make lease payments. There are exemptions for short-term leases and leases of low-value assets. Accounting for the lessor is comparable with that of the current standard; i.e., lessors continue to classify leases as financial or operating leases.

IFRS 16 will lead to an increase in fixed assets and financial liabilities. Based on its present level of knowledge, the Group does not expect any significant impacts overall on its most important key figures, such as equity ratio or underlying EBITDA.

Summarized Assessment

The specific impacts of these and other future changes are still currently being analyzed. At this stage of the audit review analysis, the company does not expect any material impacts arising from the application of new or revised Standards on the consolidated financial statements. A more detailed description of the (quantitative) impacts is planned for the upcoming reporting periods.

Standard Interpretation	Title	Applicable for financial years from ¹⁾	Endorsement by the EU Commission
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	No
Amendments to IFRS 12	Annual Improvements to IFRSs 2014 –2016 Cycle (issued in Dec. 2016)	January 1, 2017	No
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017	No
Amendments to IAS 7	Disclosure Initiative	January 1, 2017	No
Amendments to IFRS 1 and IAS 28	Annual Improvements to IFRSs 2014 –2016 Cycle (issued in Dec. 2016)	January 1, 2018	No
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Yes
IFRS 9	Financial Instruments	January 1, 2018	Yes
Clarifications to IFRS 15	Revenue from Contracts with Customers	January 1, 2018	No
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018	No
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018	No
Amendments to IAS 40	Transfers of Investment Property	January 1, 2018	No
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	No
IFRS 16	Leases	January 1, 2019	No
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	n/a	No

¹⁾ Application mandatory as adopted by the EU Commission. The standards themselves require earlier compulsory application.

3. Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group are based on the principle of the historical cost of acquisition, construction or production, with the exception of the items disclosed at fair value, such as financial assets held for trading or available for sale, and derivatives.

- Exposure, or rights, to variable returns from an investee
- Ability to use power in such a way that significantly affects the investee's returns

Scope of Consolidated Financial Statements

The consolidated financial statements of Sartorius AG include the annual financial statements of all major companies, which are controlled directly or indirectly by Sartorius AG. In terms of IFRS 10, Consolidated Financial Statements, a controlling interest exists if the following criteria are met:

- Power, i.e., an investor must have existing rights that give it the current ability to direct the relevant activities of an investee with respect to the latter's returns

Such investees are included in the consolidated financial statements from the time when Sartorius AG or its subsidiaries acquire such control. They are no longer included as of the time control is transferred to an entity outside the Group.

Subsidiaries are included on the basis of their annual financial statements for the same reporting period as the parent company, using uniform Group recognition and measurement methods.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business Combinations

Business combinations are measured according to the acquisition method. The identifiable assets acquired by the Group as well as liabilities and contingent liabilities assumed are recorded at fair value on the date of combination.

For significant acquisitions, the purchase price allocation is generally carried out with the assistance of independent third-party valuation specialists. The valuations are based on the information available at the acquisition date.

Expenses directly related to business combinations are reported in the profit for the period.

Foreign Currency Translation

Subsidiaries' annual financial statements prepared in foreign currencies have been translated pursuant to IAS 21, The Effects of Changes in Foreign Exchange Rates, in accordance with the concept of a functional currency. Foreign subsidiaries are regarded as independent subdivisions of the Sartorius Group. Items on the statement of financial position are translated at the exchange rates on the reporting date. Income and expense items are converted at the average rates. Any translation differences resulting from the use of different exchange rates for items on the statement of financial position and the statement of profit or loss are recognized in the other comprehensive income in shareholders' equity.

In the individual financial statements of the consolidated companies, transactions in foreign currencies are translated to the functional currency of the company at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the closing rate on the reporting date. Gains and losses on foreign currency transactions are recognized in other operating income or expenses.

For certain defined loans granted on a long-term basis and for which repayment is neither planned nor probable, the Group applies the principle of "net investments in a foreign operation." The foreign currency translation differences resulting from these loans are recognized in other comprehensive income according to IAS 21.32. In the case of net investment repayments, the currency translation differences recorded up to such repayment are not reclassified to profit or loss as there has been no disposal of a foreign operation.

The exchange rates for major currencies against the euro were considered as follows:

	Year-end exchange rates		Average annual exchange rates	
	2016	2015	2016	2015
USD	1.05410	1.08870	1.10659	1.10969
GBP	0.85618	0.73395	0.81952	0.72593
CHF	1.07390	1.08350	1.09004	1.06837
JPY	123.40000	131.07000	120.20024	134.35238
INR	71.59350	72.02150	74.35823	71.22490
KRW	1269.3600	1280.7800	1283.96650	1257.47421
CNY	7.32020	7.06080	7.35117	6.97587

Sales Revenue

All revenues derived from the selling of products and rendering of services are recognized as sales. Other operational revenues are recognized as other operating income. Revenue from the sale of goods is recognized in the statement of profit or loss when the significant risks and rewards of ownership of the goods have been transferred to the customer, the company retains neither continuing managerial nor effective control over the goods sold, the amount of revenue and costs incurred or to be incurred can be measured reliably, and it is sufficiently probable that the economic benefits associated with the transaction will flow to the company.

Revenues derived from the rendering of services are recognized according to the stage of completion of the transaction as of the reporting date.

Construction Contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. If the outcome of a construction contract can be estimated reliably, revenues from construction-type projects are generally recognized under the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated contract costs. An expected loss on the construction contract is immediately recognized as an expense.

If cumulative work (contract costs and contract result) exceeds the advance payments received in individual cases, the construction contracts are recognized under receivables as amounts due from customers for such contracts. If the balance after deduction of advance payments received is negative, this obligation from construction contracts is recognized as a liability under amounts due from customers.

Functional Costs

In general, operating expenses are assigned to the individual functions according to the functional area of the corresponding profit and cost centers. Expenses relating to cross-functional initiatives or projects are assigned to the respective functional costs based on an appropriate allocation principle.

The item "Cost of sales" reports the costs of products sold and the acquisition costs of merchandise sold. Besides the directly imputable expenses, such as raw materials and supplies, employee benefits expense and energy expenses, the cost of sales also includes overhead, which can be allocated to the manufacturing area, and the corresponding depreciation and amortization.

The selling and distribution expenses pertain, in particular, to the costs of the sales organization, distribution, advertising and marketing.

Research and development expenses comprise the costs for research and product and process development, insofar as these are not capitalized. Amortization on capitalized development costs is also indicated in this item.

The item "General administrative expenses" primarily comprises employee benefits expense and the cost of materials of the general administrative area.

All profit and loss items that cannot be allocated to one of the functional areas mentioned are recognized as other operating income and expenses. These essentially include effects from currency translation, disposal of fixed assets, allowances on trade receivables, and extraordinary expenses. Income from grants related to expenses are recognized as other income, when there is reasonable assurance that the conditions attached to the grants will be complied with and the grants will be received.

Borrowing Costs

Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore part of the cost of that asset. An asset is deemed to be a qualified asset if a substantial period of time (6 or 12 months) is required to ensure that it will be in the intended state ready for use or sale.

Income Taxes

Current income taxes are determined based on the respective local taxable income of the period and local tax rules. In addition, current income taxes may include adjustments for uncertain tax payments or tax refunds for periods not yet assessed.

Deferred tax assets and liabilities are determined based on temporary differences between the carrying amounts and the tax bases of assets and liabilities, including differences from consolidation. In addition, loss carry-forwards and tax credits are considered. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. Changes in deferred tax assets and liabilities are reflected in income taxes in the statement of profit or loss. Exceptions to this are changes that must be recognized in other comprehensive income directly in equity, as well as effects from acquisitions and currency effects.

On principle, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that it is probable that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences or losses carried forward.

Goodwill

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

According to IAS 36, goodwill acquired in a business combination may not be amortized, but rather must be tested annually for impairment and as soon as there is any indication of asset impairment.

For the purpose of impairment testing, goodwill must be allocated to each of the acquirer's cash-generating units (CGUs). A CGU represents the lowest level within the entity at which goodwill is monitored for internal management purposes and may not be larger than a segment.

Other Intangible Assets

Intangible assets acquired are stated at cost less the accumulated, regular amortization that is calculated according to the straight-line method. The useful life of an intangible asset is the period over which this asset is expected to contribute directly or indirectly to the cash flows of that entity.

Costs incurred within the scope of the development of new products and methods are capitalized as internally generated intangible assets if the following criteria are met:

- The technical feasibility of completing the intangible assets so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- The demonstration of how the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The capitalized development costs essentially cover the costs that were allocated to the staff involved in R&D, to raw materials and supplies, outside services and to directly attributable overhead.

If an internally generated intangible asset may not be capitalized, the development costs are recognized as expenses in the period in which they are incurred. Costs for research activities are reported as expenses in the period in which they are incurred.

Amortization of intangible assets is based on the following periods of useful life:

Software	2 to 10 years
Customer relationships and technologies	5 to 15 years
Capitalized development expenses	4 to 6 years
Brand name	10 years to an indefinite period

Property, Plant and Equipment

The item "Property, plant and equipment" is reported at cost, and if subject to depreciation, is depreciated as scheduled. The straight-line method is applied to depreciation reported in the consolidated financial statements.

Grants related to assets are generally deducted from the cost of assets.

Depreciation of fixed assets is based on the following periods of useful life:

Buildings	15 to 50 years
Machinery	5 to 15 years
Factory and office equipment	3 to 13 years

Impairment of Intangible and Tangible Assets

The book values (carrying amounts) of property, plant and equipment and intangible assets are examined on whether there is any indication that an asset might be impaired, pursuant to IAS 36, Impairment of Assets. If there is any indication that an asset is impaired, the recoverable amount of the asset is estimated. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value – less costs to sell the asset or its CGU – and its value in use. In the event

the individual asset's recoverable amount cannot be estimated, the recoverable amount of the asset's cash-generating unit (CGU) is estimated.

If the estimated recoverable amount of an asset (or a CGU) goes below its book value (carrying amount), this carrying amount must be reduced to the recoverable amount.

If the causes of the asset impairment are removed, the book value of the asset (or the CGU) is credited to the newly estimated recoverable amount (except for goodwill). However, the book value increase is limited to the value that the asset (or CGU) would have had if no asset impairment loss would have been assessed in previous financial years.

Leases

A lease is considered an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. According to IAS 17, a lease is classified as either an operating lease or a finance lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are designated as operating leases.

If the Group is a lessee in a finance lease, the amount equal to the fair value of the leased asset, or if lower, the present value of the minimum lease payments is recognized as an asset on the statement of financial position and simultaneously recognized as a financial liability, each at the inception of the lease. The minimum lease payments essentially consist of the finance charge and the reduction of the outstanding liability. A leased asset is depreciated on a straight-line basis over the period of its expected useful life or over the shorter lease term.

For an operating lease, the lease rates to be paid by the lessee are recognized as expenses and the lease rates received by the lessor are recognized as income, respectively. The leased asset continues to be recognized on the lessor's statement of financial position as fixed assets.

Inventories

Raw materials and supplies, including merchandise, are reported under "Inventories" at average cost. On principle, finished goods and work in progress are reported at cost of conversion. This cost includes direct costs, which can be allocated to these materials, and the appropriate portion of production and materials handling overhead, general administrative expenses and fixed assets at normal depreciation and | or amortization rates, provided that these expenses are caused by production.

Inventories must be evaluated at the lower amount of cost and the net realizable value. The net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary for marketing, sales and distribution. Where inventory risks exist, such as the risk of reduced shelf life as a result of storage periods or limited usability, inventories are marked down accordingly.

Provisions for Pensions and Similar Obligations

Pension provisions and similar obligations are recognized in the consolidated financial statements of the Sartorius Group in accordance with actuarial principles. IAS 19, Employee Benefits, stipulates the Projected Unit Credit Method as the method of measurement. In addition to known pensions and life expectancies, this expected cash value method takes into account future salary and pension increases.

All effects from remeasurement of the net defined benefit liability are recognized in other comprehensive income directly in equity (pension reserves) according to the IAS 19 Standard.

Provisions

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the end of the reporting period. Provisions with a term or maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period.

Provisions are regularly reviewed and adjusted as further information becomes available or circumstances change. The provision for warranty costs is based on expected values that reflect past experience.

Restructuring provisions are set up in connection with programs that materially change the scope of business performed by a segment or business unit or the manner in which business is conducted. In most cases, restructuring expenses include termination benefits due to the termination of employment and leases as well as and compensation payments due to agreements with suppliers and dealers. Restructuring provisions are recognized when the Group has a detailed formal plan that it has either commenced to implement or announced.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and is recognized on the trade date. Financial assets mainly include cash and cash equivalents, available-for-sale financial assets, trade and loan receivables and derivative financial instruments with a positive fair value.

Financial liabilities of the Group mainly comprise loans from banks, trade payables, finance lease payables and derivative financial instruments with a negative fair value.

Financial instruments are initially recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognized in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Financial assets and liabilities are subsequently measured according to the category to which they are assigned: cash and cash equivalents, available-for-sale financial assets, loans and receivables, financial liabilities measured at amortized cost or financial assets and liabilities classified as held for trading. The fair value option is not used.

Cash and Cash Equivalents

The Group considers all highly liquid investments with up to three months' maturity from the date of acquisition to be cash or cash equivalents. These mainly comprise checks, cash on hand and deposits in banks. Cash and cash equivalents are measured at cost.

Investments

Investments in non-consolidated subsidiaries, associates and securities are measured at cost because no active market exists for these shares and securities and the fair values of these assets cannot be reliably measured.

Trade Receivables

Trade receivables and other assets are reported so that all discernible risks are covered. The book values of trade receivables and other receivables approximate their fair value considering the maturity date and the credit risks. In determining the recoverability of trade receivables, the Group considers any change in the credit quality from the date the credit was originally granted up to the reporting date.

Loans and Receivables

Financial assets classified as loans and receivables are measured at amortized cost, less any impairment losses, by application of the effective interest method. Impairment losses on trade and other receivables are recognized using separate allowance accounts.

Financial Liabilities

Financial liabilities, except for derivative financial instruments, are measured at amortized cost using the effective interest method.

Derivative Financial Instruments

Derivative financial instruments, such as forward exchange contracts and interest rate swap contracts, are measured at fair value. Instruments not classified as hedging instruments and for which hedge accounting is not applied, are classified by the company as held for trading. Changes in the fair value of derivative financial instruments are recognized either in profit or loss or, in the case of hedges, in other comprehensive income.

Cash Flow Hedges

The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges is recognized in other comprehensive income. Any ineffective portion is recognized immediately in the profit for the period. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

Statement of Cash Flows

In the statement of cash flows, cash flows are presented according to their allocation to operating activities, investing activities and financing activities.

In this instance, cash flows from operating activities are determined using the indirect method; i.e., expenses without an effect on payments are added to profit before tax, while income without an effect on payments is subtracted. The cash flows from financing activities are composed primarily of changes in equity and additions or repayments of loans.

Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations

According to IFRS 5, a non-current asset (or a disposal group) must be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is the case if the asset (or disposal group) is available for immediate sale in its present condition and its sale is highly probable. A sale is considered highly probable if the appropriate level of management has committed to a plan to sell the asset; an active program to locate a buyer and complete the plan has already been initiated; an offer to sell the asset or disposal group at a reasonable price has been made; the sale is expected to be recognized as completed within twelve months from the date of classification; and if it is unlikely that

significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets (or disposal groups) classified as held for sale are to be measured at the lower of their carrying amount and fair value less costs to sell. These assets are then no longer depreciated or amortized.

A component of an entity is disclosed as a discontinued operation that either has been disposed of or is classified as held for sale and

- represents a separate major line of business or geographical area of operations, or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

4. Critical Accounting Judgment and Key Sources of Estimation Uncertainty

During the preparation of consolidated financial statements, management uses estimates and assumptions based on their best knowledge of the current and future situation of the period. However, actual results may differ from these estimates. These estimates and assumptions are therefore revised on a regular basis, and the impact of all changes is immediately recognized in the statement of profit or loss for the period.

In addition, Group management exercises its judgment in defining the accounting treatment of specific transactions when the existing standards and interpretations do not explicitly treat the accounting problems concerned.

Assumptions and estimates primarily concern the following facts:

Business Combinations

Accounting for acquisitions requires certain estimates and assumptions to be made, especially concerning the fair value of the intangible assets and the property, plant and equipment acquired, the liabilities assumed on the acquisition date, as well as the useful lives of the intangible assets and of the property, plant and equipment acquired.

Their measurement is largely based on projected cash flows. Differences between the expected and actual cash flows may have a material impact on future Group results.

Impairment of Assets

An impairment test is conducted, if certain events lead to the assumption that an asset might be impaired. In this case, the carrying amount of the asset is compared to its recoverable amount, which is the higher of the net realizable value and the value in use. The calculation of the value in use is generally based on discounted cash flow methods that use cash flow projections of up to five years. These projections take into account past experiences and represent management's best estimates about future sales revenue and cost developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of the value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates can have a material impact on the respective values and ultimately on the amount of any impairment. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

Intangible Assets

The capitalization of self-constructed intangible assets includes a certain level of estimates and assumptions, e.g., the evaluation of the technical feasibility of a development project, its expected market prospects and determination of its useful live.

Trade and Other Receivables

The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness and current economic developments, as well as an analysis of historical bad debts on a portfolio basis.

Employee Benefits – Provisions for Pension Obligations

Obligations for pensions and other post-employment benefits are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected salary increases and mortality rates. The discount rate assumptions are determined by reference to yields on high-quality, fixed-interest corporate bonds of appropriate duration and currency at the end of the reporting period.

Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in pension obligations and other post-employment benefit obligations.

Such differences are recognized in full directly in equity in the period in which they occur without affecting profit or loss. For a sensitivity analysis, see Section 24 "Pension and Employee Benefits Provisions."

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for legal or constructive obligations that exist with respect to third parties at the end of the reporting date. To determine the amount of the obligations, certain estimates and assumptions have to be applied, including the evaluation of the probability that this obligation will occur and the amount of costs incurred. Typically, significant uncertainties are involved in the determination of provisions related to onerous contracts, warranty costs, closure of business locations, asset retirement obligations and legal proceedings.

Income Taxes

The Group operates in various tax jurisdictions and therefore must determine tax positions under respective local tax laws and tax authorities' views, which can be complex and subject to different interpretations of taxpayers and local tax authorities.

Deferred tax assets have to be recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will be recovered.

Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a corresponding valuation allowance is taken into account.

Fair Value Measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities, including Level 3 fair values (unobservable inputs).

If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5. Operating Segments

According to IFRS 8, Operating Segments, the identification of reportable operating segments is based on the "management approach"; i.e., the segments are defined analogously to the internal control and reporting structure of an entity. Therefore, an area of activity is to be considered an operating segment if its business activities may result in revenues and expenses, its operating results are regularly reviewed by the entity's chief operating decision maker (= the Executive Board of Sartorius AG) and discrete financial information is available in its internal reporting. Consequently, the divisions called Bioprocess Solutions and Lab Products & Services are to be considered operating segments. Essential criteria for their definition are the products sold in the divisions and their particular customer groups.

"Underlying EBITDA" is the key performance indicator of the operating segments of the Group, as management uses this performance measure to control the Group and segments. EBITDA corresponds to earnings before interest (financial result), taxes, depreciation and amortization. "Underlying EBITDA" means EBITDA adjusted for extraordinary items. In this connection, extraordinary items are expenses and income that are of an exceptional or a one-time nature and accordingly distort the sustainable profitability of a segment and have a material impact on the net worth, financial position and earnings of the Group. Examples of such items are restructuring expenses, large Group projects and proceeds or losses from the disposal, sale or other transfer of financial assets or of property, plant and equipment, provided that these are not of a recurrent nature.

"Underlying EBITDA" is not a defined performance measure in IFRS. The Group's definition of underlying EBITDA might not be comparable with similarly titled performance measures and disclosures by other entities.

Apart from that, the recognition and measurement methods for the reportable segments conform to the general Group accounting principles.

For intersegment receivables and payables, internal transfer prices are set at prices corresponding to those that would have been agreed upon with external third parties in the particular situation and under the given framework conditions. Essentially, these prices are calculated by applying the cost-plus-margin method and the resale price method or a combination of the two methods. The methods for determining the internal transfer prices are documented promptly and continuously maintained. The volume of such intersegment receivables and payables is immaterial.

Segment assets and segment liabilities are not reported on a regular basis to the chief operating decision maker and are therefore not part of the segment report.

€ in K	Sales revenue		Underlying EBITDA	
	2016	2015	2016	2015
Bioprocess Solutions	975,034	809,240	273,453	214,483
Lab Products & Services	325,261	305,512	51,949	48,766
Total continuing operations	1,300,296	1,114,752	325,402	263,249
Reconciliation to the profit before tax				
Depreciation and amortization			-74,193	-58,287
Extraordinary items			-30,743	-12,614
Earnings before interest and taxes (EBIT)			220,466	192,347
Financial result			-16,360	-19,964
Profit before tax from continuing operations			204,106	172,383

€ in K	Depreciation and amortization		Capital expenditure	
	2016	2015	2016	2015
Bioprocess Solutions	-48,065	-40,804	75,743	43,091
Lab Products & Services	-27,641	-18,045	76,387	70,005
Total continuing operations	-75,706	-58,850	152,130	113,096

Geographical Information

External revenue and non-current assets are regionally distributed as follows :

€ in K	Sales revenue		Non-current assets	
	2016	2015	2016	2015
EMEA	569,147	505,467	905,842	861,454
Of which Germany	162,207	136,346	428,101	372,712
Of which France	70,665	67,846	337,694	339,134
Americas	445,390	371,693	193,490	41,012
Of which USA	404,112	337,892	193,478	41,007
Asia Pacific	285,758	237,592	29,919	29,611
Of which China	77,219	72,568	12,434	12,182
Of which South Korea	64,649	50,064	7,064	7,613
Group	1,300,296	1,114,752	1,129,251	932,076

The regional allocation of non-current assets refers to the particular company location; sales revenue is reported according to the customer's location. The non-current assets correspond to property, plant and equipment as well as to intangible assets (including goodwill) of the Group affiliates that are to be allocated to these various regions. Goodwill resulting from the reverse acquisition of Stedim and the associated intangible assets were regionally allocated to France.

In fiscal 2016 and the prior year, none of our customers accounted for more than 10% of sales revenue.

6. Statement of Cash Flows

The statement of cash flows shows the impact of cash inflows and outflows on the cash and cash equivalents of the Group. The cash flows are classified by operating, investing and financing activities according to IAS 7, Statement of Cash Flows.

In this context, cash equivalents are assets than can be converted into cash within a short term (generally within three months). The amount considered in the statement of cash flows primarily includes cash on hand, bank balances and similar items.

The following non-cash transactions were concluded that are not reflected in the statement of cash flows:

Additions to the fixed assets related to financial leases amounted to €3,025 K in 2016 and €1,936 K in 2015.

– The expenses incurred by granting shares to the CEO and Executive Board Chairman totaled €1,356 K in 2016 and €1,356 K in 2015.

7. Scope of Consolidation

	Ownership in %	Consolidated
Sartorius AG, Goettingen, Germany	Parent company	X
Sartorius Stedim Biotech S.A., Aubagne, France, along with its subsidiaries:	74.3	X
EMEA		
Sartorius Stedim Belgium N.V., Brussels, Belgium	100.0	X
Distribo GmbH, Goettingen, Germany	26.0	
Sartorius Stedim Biotech GmbH, Goettingen, Germany	100.0	X
Sartorius Stedim Plastics GmbH, Goettingen, Germany	100.0	X
Sartorius Stedim North America Holding GmbH, Goettingen, Germany	100.0	X
Sartorius Stedim Systems GmbH, Guxhagen, Germany	100.0	X
Sartorius Stedim Cellca GmbH, Laupheim, Germany	100.0	X
Sartorius Stedim UK Ltd., Epsom, UK	100.0	X
Sartorius Stedim BioOutsource Ltd., Glasgow, UK	100.0	X
Sartorius Stedim Lab Ltd., Stonehouse, UK	100.0	X
TAP Biosystems Group Ltd., Royston, UK	100.0	X
TAP ESOP Management Ltd., Royston, UK	100.0	X
TAP Biosystems (PHC) Ltd., Royston, UK	100.0	
TAP Biosystems Ltd., Royston, UK	100.0	
The Automation Partnership Cambridge Ltd., Royston, UK	100.0	X
Sartorius Stedim Nordic Oy, Helsinki, Finland	100.0	X
Sartorius Stedim FMT S.A.S., Aubagne, France	100.0	X
Sartorius Stedim France S.A.S., Aubagne, France	100.0	X
Sartorius Stedim Aseptics S.A., Lourdes, France	100.0	X
Sartorius Stedim Ireland Ltd., Dublin, Ireland	100.0	X
Sartorius Stedim Italy S.p.A., Florence, Italy	100.0	X
Sartorius Stedim Netherlands B.V., Amerfoort, Netherlands	100.0	X
Sartorius Stedim Austria GmbH, Vienna, Austria	100.0	X
Sartorius Stedim Poland Sp. z o.o., Kostrzyn, Poland	100.0	X
LLC Sartorius Stedim RUS, St. Petersburg, Russia	100.0	X
Sartorius Stedim Switzerland AG, Tagelswangen, Switzerland	100.0	X
Sartorius Stedim Spain S.A., Madrid, Spain	100.0	X
Sartorius Stedim Bioprocess S.A.R.L., M'Hamdia, Tunisia	100.0	X
Sartorius Stedim Hungaria Kft., Budapest, Hungary	100.0	X
Americas		
Sartorius Stedim Filters Inc., Yauco, Puerto Rico	100.0	X
Sartorius Stedim North America Inc., Wilmington, Delaware, USA	100.0	X
AllPure Technologies LLC, New Oxford, Pennsylvania USA	100.0	X
Asia Pacific		
Sartorius Stedim Australia Pty. Ltd., Dandenong South, Victoria, Australia	100.0	X
Sartorius Stedim Biotech (Beijing) Co. Ltd., Beijing, China	100.0	X
Sartorius Stedim (Shanghai) Trading Co. Ltd., Shanghai, China	100.0	X
Sartorius Stedim India Pvt. Ltd., Bangalore, India	100.0	X
Sartorius Stedim Japan K.K., Tokyo, Japan	100.0	X
Sartorius Korea Biotech Co. Ltd., Seoul, South Korea	69.0	X
Sartorius Stedim Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100.0	X
Sartorius Stedim Singapore Pte. Ltd., Singapore	100.0	X

	Ownership in %	Consolidated
EMEA		
Sartorius Belgium N.V., Brussels, Belgium	100.0	X
Sartorius Weighing Technology GmbH, Goettingen, Germany	100.0	X
Sartorius Corporate Administration GmbH, Goettingen, Germany	100.0	X
SI Weende-Verwaltungs-GmbH, Goettingen, Germany	100.0	X
SIV Weende GmbH & Co. KG, Goettingen, Germany	100.0	X
SI Grone 1-Verwaltungs-GmbH, Goettingen, Germany	100.0	X
SIV Grone 1 GmbH & Co. KG, Goettingen, Germany	100.0	X
SWT Treuhand GmbH, Goettingen, Germany	100.0	X
Sartorius Lab Holding GmbH, Goettingen, Germany	100.0	X
Sartorius Lab Instruments GmbH & Co. KG, Goettingen, Germany	100.0	X
Sartorius UK Ltd., Epsom, UK	100.0	X
Sartorius Biohit Liquid Handling Oy, Helsinki, Finland	100.0	X
Sartorius Nordic Oy, Helsinki, Finland	100.0	X
Sartorius France S.A.S., Dourdan, France	100.0	X
Sartorius Ireland Ltd., Dublin, Ireland	100.0	X
Sartorius Israel Ltd, Kibbutz Beit Haemek, Israel ¹⁾	49.0	X
Sartorius Italy S.r.l., Florence, Italy	100.0	X
Sartorius Netherlands B.V., Amersfoort, Netherlands	100.0	X
Sartorius Austria GmbH, Vienna, Austria	100.0	X
Sartorius Poland Sp. z o.o., Kostrzyn, Poland	100.0	X
LLC Sartogsm, St. Petersburg, Russia	100.0	X
LLC Sartorius RUS, St. Petersburg, Russia	100.0	X
Sartorius Spain S.A., Madrid, Spain	100.0	X
Sartorius Hungaria Kft., Budapest, Hungary	100.0	X
Americas		
Sartorius Argentina S.A., Buenos Aires, Argentina	100.0	
Sartorius do Brasil Ltda., São Paulo, Brazil	100.0	
Sartorius de México S.A. de C.V., Naucalpan, Mexico	100.0	
Sartorius Peru S.A.C., Lima, Peru	100.0	
Sartorius North America Inc., Wilmington, Delaware, USA	100.0	X
Sartorius Corporation, Wilmington, Delaware, USA	100.0	X
IntelliCyt Corp.; Albuquerque, New Mexico, USA	100.0	X
Sartorius Canada Inc., Mississauga, Canada	100.0	X

	Ownership in %	Consolidated
Asia Pacific		
Sartorius Australia Pty. Ltd., Dandenong South, Victoria, Australia	100.0	X
Denver Instrument (Beijing) Co. Ltd., Beijing, China	100.0	X
Sartorius Scientific Instruments (Beijing) Co. Ltd., Beijing, China	100.0	X
Sartorius (Shanghai) Trading Co. Ltd., Shanghai, China	100.0	X
Biohit Biotech (Suzhou) Co. Ltd., Shanghai, China	100.0	X
Sartorius Hong Kong Ltd., Kowloon, Hong Kong	100.0	X
Sartorius India Pvt. Ltd., Bangalore, India	100.0	X
Sartorius Japan K.K., Tokyo, Japan	100.0	X
Sartorius Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100.0	X
Sartorius Singapore Pte. Ltd., Singapore	100.0	X
Sartorius Korea Ltd., Seoul, South Korea	100.0	X
Sartorius (Thailand) Co. Ltd., Bangkok, Thailand ¹⁾	49.0	X

¹⁾ The company Sartorius Thailand is included in the scope of consolidation due to contractual agreements (see also Section 23).

The companies marked as non-consolidated in the above table were not included in the scope of consolidation, because the figures were of minor importance for assessing the actual net worth, financial position and profitability of the Sartorius Group. The sales revenue and balance sheet total of the non-consolidated companies taken as a whole are below 5% of the Group figures. No associates or joint ventures were consolidated; all companies identified by an "X" are fully consolidated.

In fiscal 2016, the following companies were included for the first time in the group of consolidation:

- Sartorius Israel Ltd.
- Sartorius Stedim RUS
- Sartogsm

as well as the companies kSep Systems LLC, ViroCyt Inc. and IntelliCyt Corp. acquired in the reporting year. kSep Systems was merged with Sartorius Stedim North America Inc. effective November 30. ViroCyt Inc. was merged with IntelliCyt Corp. as of December 31.

Until now, the companies in Russia had not been included in the scope of consolidation because their figures had been of minor importance for assessing the actual net worth, financial position and profitability of the Sartorius Group. These companies were initially consolidated as of January 1, 2016; and the difference from initial consolidation was offset against the retained earnings.

Furthermore, an additional stake of 40% was purchased in AllPure Technologies LLC. This acquisition resulted in a decrease in the shareholdings attributable to non-controlling interest as well as to a corresponding adjustment in the retained earnings.

8. Business Acquisitions

Acquisition of IntelliCyt Corp.

On June 28, 2016, the Group acquired a 100% stake in IntelliCyt Corporation based in Albuquerque, New Mexico, USA. This purchase has substantially extended the product portfolio of the Lab Products & Services Division, especially with regard to customers in R&D labs of the biopharmaceutical industry and at public research institutes.

Founded in 2006, the company developed a novel cell screening platform that integrates instruments, software and reagents, enabling especially rapid high-throughput cell analysis for assessing multiple cellular parameters.

The overall purchase price allocation was finalized as follows:

	Final purchase price allocation € in K
Other intangible assets	51,056
Property, plant and equipment	545
Inventories	2,815
Trade receivables	2,441
Other assets	305
Cash and cash equivalents	4,499
Deferred taxes - net	-14,816
Provisions	-20
Other liabilities	-2,492
Net assets acquired	44,332
Purchase price	86,465
Goodwill	42,133

The converted purchase price of €86.5 was paid in cash. The expenses directly attributable to the acquisition amounting to €0.1 million were recognized as other operating expenses. Goodwill is not expected to be tax-deductible.

The main reasons leading to the recording of goodwill essentially lie in the extension of the product portfolio of the Lab Products & Services Division and the associated expansion of its positioning with biopharmaceutical customers as well as in the public research sector, besides the realization of synergies based on the acquired company's access to the Group's sales and distribution network. It is assumed that customer loyalty

will be further strengthened by the use of the acquired technology, primarily in research and early drug discovery phases.

Acquisition of ViroCyt Inc.

On July 14, 2016, Sartorius acquired a 100% stake in the U.S. start-up company ViroCyt Inc. based in Broomfield, Colorado. ViroCyt offers innovative solutions in virus quantification and will thus strengthen the bioanalytics areas of the Lab Products & Services Division, just as will the acquisition of IntelliCyt.

The overall purchase price allocation was finalized as follows:

	Final purchase price allocation € in K
Other intangible assets	4,342
Property, plant and equipment	202
Inventories	272
Trade receivables	670
Other assets	78
Cash and cash equivalents	877
Deferred taxes - net	-641
Provisions	-41
Loans and borrowings	0
Other liabilities	-367
Net assets acquired	5,392
Purchase price	15,354
Goodwill	9,961

The converted purchase price of €15.4 million was paid in cash. The expenses directly attributable to the acquisition amounting to €0.1 million were recognized as other operating expenses. Goodwill is not expected to be tax-deductible.

The goodwill resulting from the acquisition is attributable to synergies that will be realized from the collaboration with the Sartorius Group. In particular, the acquiree's use of the Group's global sales and distribution network is intended to increase market penetration by the acquired technology for virus quantification, both in the U.S. market and in the international marketplace. In addition, expansion of the Group's portfolio by the acquired technology is expected to yield synergy effects by strengthening the loyalty of existing customers and by driving additional sales of Group products to new customers.

Acquisition of kSep Systems LLC

On July 29, 2016, Sartorius through its subgroup Sartorius Stedim Biotech acquired the centrifuge specialist kSep Systems based in Morrisville, North Carolina, USA. The converted purchase price of €27.2 million for a 100% stake in the company was paid in cash. kSep develops single-use centrifuges for the biopharmaceutical industry and, in this respect, supplements the Group portfolio in the area of so-called downstream applications.

The overall purchase price allocation was finalized as follows:

	Final purchase price allocation € in K
Other intangible assets	9,668
Property, plant and equipment	25
Inventories	1,238
Trade receivables	1,330
Other assets	447
Cash and cash equivalents	4,204
Deferred taxes - net	-70
Provisions	0
Loans and borrowings	0
Other liabilities	-2,480
Net assets acquired	14,362
Purchase price	27,223
Goodwill	12,861

The expenses directly attributable to the acquisition amounting to €0.2 million were recognized as other operating expenses.

Goodwill of this acquisition is primarily attributable to the synergies that are to be realized by the acquiree's use of the Group's sales and distribution network. In the process, the acquired company's business model is to be internationalized and the company's market access to the Asian market is to be further expanded.

The companies acquired in 2016 have contributed sales revenue of around €10 million and earnings of approx.€-3 million to the Group's results since their initial consolidation.

If the acquisitions had been executed as of January 1, 2016, sales revenue would have been €1,311.9 million and net profit €143.8 million.

Notes to the Statement of Profit or Loss

9. Sales Revenue

Sales revenue, which is broken down by operating segments and geographical markets (according to the customers' location), consists of the following:

	Bioprocess Solutions € in K	Lab Products & Services € in K	Total € in K
2016			
Germany	101,618	60,589	162,207
All other countries	873,417	264,672	1,138,089
	975,034	325,261	1,300,296
2015			
Germany	79,538	56,808	136,346
All other countries	729,702	248,704	978,406
	809,240	305,512	1,114,752

An amount of €8.4 million was earned with non-consolidated affiliated companies (2015: €12.6 million). A sum of approximately €83 million was earned by providing services (2015: around €77 million).

10. Functional Costs

The statement of profit or loss is prepared according to the function of expense method, also known as "cost of sales." The expenses are allocated to the respective functional areas of production, sales and distribution, research and development, as well as to general administration. The total expenses incurred by the functional areas for materials and employee benefits are represented as follows:

Raw Materials and Supplies

This item consists of the following:

	2016 € in K	2015 € in K
Expenses for raw materials and supplies and for purchased goods (incl. changes in inventories)	313,224	250,785
Cost of purchased services	73,445	63,769
	386,668	314,554

Employee Benefits Expense

This item can be broken down as follows:

	2016 € in K	2015 € in K
Wages and salaries	346,962	306,352
Social security	71,521	61,047
Expenses for retirement benefits and pensions	8,046	8,145
	426,528	375,544

Leases

In fiscal year 2016, payments of €17.5 million were made as part of operating leases (2015: €14.6 million).

11. Other Operating Income and Expenses

	2016 € in K	2015 € in K
Currency translation gains	19,442	17,378
Income from the decrease in allowances for bad debts	2,595	1,775
Income from grants	3,096	3,033
Other income	9,755	10,394
Other operating income	34,887	32,580
Extraordinary expenses	-30,743	-12,614
Currency translation losses	-15,898	-24,070
Allowances for bad debts	-2,616	-3,667
Other expenses	-6,222	-7,494
Other operating expenses	-55,479	-47,844
Other operating income and expenses	-20,592	-15,264

The item reported as income from grants discloses the grants for expenses (essentially related to research and development projects), which are recognized as income as soon as there is sufficiently reliable indication that the necessary prerequisites are met.

Other income includes income related to services performed for the discontinued operation, among other items.

Extraordinary items for fiscal 2015 and 2016 essentially were incurred for various strategic Group projects and for integration and acquisition costs.

12. Financial Result

	2016 € in K	2015 € in K
Interest and similar income	233	70
- of which from affiliated companies	0	3
Income from derivative financial instruments	2,165	3,430
Other financial income	3,267	3,134
Financial income	5,665	6,634
Interest and similar expenses	-8,299	-8,720
- of which from affiliated companies	0	0
Expenses for derivative financial instruments	-3,398	-4,004
Interest for pensions and other retirement benefits	-1,234	-1,239
Other financial charges	-9,094	-12,635
Financial expenses	-22,025	-26,598
	-16,360	-19,964

The other financial expenses and income cover effects from discount reversals and evaluation of purchase price liabilities in connection with the acquisitions of Allpure, the Lonza media business and with the acquisition of the non-controlling interest in Sartorius Israel, as well as currency gains and losses from loans in foreign currencies.

13. Income Taxes

	2016 € in K	2015 € in K
Current income taxes	-59,289	-56,529
Deferred taxes	185	1,544
- of which from tax losses	4,808	-2,118
- of which from temporary differences	-4,623	3,662
	-59,104	-54,986

As a matter of principle, domestic income taxes are calculated at 30% of the estimated taxable profit for fiscal 2016. Income generated outside Germany is taxed at the particular rates that are valid in the corresponding country.

Considering the German average tax rates and the impact of other tax legislation, the expected tax rate for the Group is roughly 30%. The following table describes the differences between the tax expense to be expected and the income tax expenses reported for the particular financial year.

	2016 € in K	2015 € in K
Expected tax rate	30%	30%
Expected tax expense	-61,232	-51,715
Difference from the Group average income tax rate	11,862	7,363
Effects from intragroup dividends and other non-deductible expenses	-5,440	-5,285
Tax credits	3,790	1,286
Deductible temporary differences and tax losses not capitalized	-8,119	-497
Taxes from previous years and adjustments from the revised evaluation of the recoverability of deferred tax assets	1,448	-3,800
Withholding and similar taxes	-1,287	-2,826
Other	-127	487
	-59,104	-54,986
Effective tax rate	29.0%	31.9%

14. Earnings per Share

According to the resolution approved by the Annual Shareholders Meeting on April 7, 2016, share capital was increased by use of retained earnings to carry out a so-called stock split at a ratio of 4:1. As a result, the number of shares increased from 9,360,000 ordinary and 9,360,000 preference shares to 37,440,000 of each class of share (see also Section 21).

As part of the increase in share capital, the share in dividends (surplus and minimum dividends) was also adjusted for preference shareholders. Owners of preference shares receive an increased dividend (surplus dividend) of 0.01 euro per preference share from the distributable annual profit; however, the dividend must at least amount to 0.02 euro per preference share (minimum dividend). The calculation of the earnings per share was adjusted accordingly for the current account and for the previous year.

IAS 33, Earnings per Share, requires earnings per share to be calculated separately for each class of share. The undiluted earnings per share (basic EPS) are calculated based on the weighted average number of ordinary shares outstanding during the period. Treasury shares are not to be considered in the calculation of the average number of shares outstanding.

	2016	2015
Ordinary shares		
Basis for calculating basic earnings per ordinary share (net profit after non-controlling interest), € in K	51,322	63,014
Of which from continuing operations, € in K	51,322	42,583
Of which from discontinued operation, € in K	0	20,431
Weighted average number of shares outstanding	34,212,224	34,115,512
Basic earnings per ordinary share in €	1.50	1.85
Of which from continuing operations, in €	1.50	1.25
Of which from discontinued operation, in €	0.00	0.60
Weighted average number of shares outstanding for calculating the diluted earnings per share	34,212,224	34,115,512
Diluted earnings per ordinary share, in €	1.50	1.85
Of which from continuing operations, in €	1.50	1.25
Of which from discontinued operation, in €	0.00	0.60
Preference shares		
Basis for calculating basic earnings per preference share (net profit after minority interest), € in K	51,610	63,288
Of which from continuing operations, € in K	51,610	42,879
Of which from discontinued operation, € in K	0	20,410
Weighted average number of shares outstanding	34,176,068	34,079,356
Basic earnings per preference share in €	1.51	1.86
Of which from continuing operations, in €	1.51	1.26
Of which from discontinued operation, in €	0.00	0.60
Weighted average number of shares outstanding for calculating the diluted earnings per share	34,176,068	34,079,356
Diluted earnings per preference share, in €	1.51	1.86
Of which from continuing operations, in €	1.51	1.26
Of which from discontinued operation, in €	0.00	0.60

Notes to the Statement of Financial Position

15. Goodwill and Intangible Assets

Goodwill

	Goodwill € in K
Gross book values at Jan. 1, 2015	381,786
Currency translation	2,129
Acquisitions through business combinations	21,462
Reclassification in "held for sale"	0
Gross book values at Dec. 31, 2015	405,377
Amortization and impairment losses at Jan. 1, 2015	0
Currency translation	0
Amortization and impairment losses in 2015	0
Amortization and impairment losses at Dec. 31, 2015	0
Net book values at Dec. 31, 2015	405,377
Gross book values at Jan. 1, 2016	405,377
Currency translation	-2,502
Acquisitions through business combinations	64,956
Gross book values at Dec. 31, 2016	467,831
Amortization and impairment losses at Jan. 1, 2016	0
Currency translation	0
Amortization and impairment losses in 2016	0
Amortization and impairment losses at Dec. 31, 2016	0
Net book values at Dec. 31, 2016	467,831

¹⁾ The year-earlier figures were adjusted on account of the final purchase price allocation for AllPure.

The item reported as goodwill in the amount of €467,831 K (2015: €405,377 K) is the capitalized difference in assets resulting from capital consolidation within the scope of business combinations. This amount also covers asset deals to some extent. The additions resulting from acquisitions through business combinations in fiscal 2016 were IntelliCyt Corp., ViroCyt Inc. and kSep Systems LLC (see Section 8). Under IAS 36, goodwill may not be amortized on a scheduled basis, but rather must be tested annually for impairment.

Because of the integration of our businesses in the divisions of Bioprocess Solutions and Lab Products & Services and our respective positioning as a total solution provider, several cash-generating units at this level are combined for the impairment test.

Thus, goodwill is distributed to the segments as follows:

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Bioprocess Solutions	360,081	352,254
Lab Products & Services	107,750	53,123
	467,831	405,377

The impairment tests for fiscal 2016 were conducted as of November 30. The calculations measure the recoverable amount on the basis of the value in use of the particular cash-generating unit. Our cash flow forecasts consider previous experiences and are generally based on the current projections of Group management for a period of four years. For the Bioprocess Solutions Division, calculations were based on an average terminal growth rate of 2.5% for the fiscal years after 2020. This terminal growth rate is derived from market expectations, which forecast medium-term growth rates in the high upper single-digit range for the biopharmaceutical market targeted by the division. The major growth drivers will be, among others, the aging population, the increase in population and improved access to pharmaceutical markets in the emerging-market countries, as well as the currently ongoing paradigm shift towards utilization of single-use products in the manufacture of biopharmaceuticals. For the Lab Products & Services Division, a terminal growth rate of 1.5% was used for the fiscal years after 2020.

The discount rates of the cash-generating units correspond to their weighted average cost of capital (WACC) and were recognized as follows:

	Before tax	2016 after tax	Before tax	2015 After tax
Bioprocess Solutions	7.9%	6.3%	7.6%	6.1%
Lab Products & Services	8.8%	6.7%	9.0%	6.7%

In fiscal 2016, these impairment tests did not result in the recognition of impairment losses. Even realistic changes in the basic assumptions upon which measurement of the value in use is based would not result in the carrying amount of the cash-generating units' exceeding their value in use.

Intangible Assets

	Patents, licenses, technologies and similar rights € in K	Brand name € in K	Customer relationships € in K	Capitalized development costs € in K	Payments on account € in K	Total € in K
Gross book values at Jan. 1, 2015	96,322	14,885	120,948	72,437	269	304,862
Currency translation	2,175	-4	863	456	0	3,490
Acquisitions through business combinations	30,614	207	7,875	0	0	38,696
Capital expenditures	16,598	0	0	12,258	67	28,923
Disposals	-2,274	0	-275	-117	0	-2,666
Transfers	84	0	0	0	-18	66
Gross book values at Dec. 31, 2015	143,519	15,088	129,411	85,035	318	373,371
Amortization and impairment losses at Jan. 1, 2015	-35,681	-1,235	-57,329	-40,743	0	-134,989
Currency translation	-970	2	-265	-270	0	-1,502
Amortization and impairment losses in 2015	-12,460	-439	-10,207	-6,623	0	-29,729
Disposals	1,834	0	275	0	0	2,109
Transfers	-5	0	0	0	0	-5
Amortization and impairment losses at Dec. 31, 2015	-47,282	-1,673	-67,525	-47,636	0	-164,116
Net book values at Dec. 31, 2015	96,238	13,415	61,886	37,399	318	209,255

	Patents, licenses, technologies and similar rights € in K	Brand name € in K	Customer relationships € in K	Capitalized development costs € in K	Payments on account € in K	Total € in K
Gross book values at Jan. 1, 2016	143,519	15,088	129,411	85,035	318	373,371
Currency translation	750	305	-1,418	-853	15	-1,200
Acquisitions through business combinations	45,714	7,588	11,576	0	187	65,065
Capital expenditures	13,944	10	4	18,286	123	32,367
Disposals	-190	0	-43	-5,097	-1	-5,331
Transfers	129	0	0	0	-318	-189
Gross book values at Dec. 31, 2016	203,867	22,992	139,529	97,371	324	464,083
Amortization and impairment losses at Jan. 1, 2016	-47,282	-1,673	-67,525	-47,636	0	-164,116
Currency translation	60	-7	211	59	0	323
Amortization and impairment losses in 2016	-17,199	-710	-10,788	-9,444	0	-38,141
Disposals	150	0	2	5,097	0	5,249
Transfers	11	0	0	0	0	11
Amortization and impairment losses at Dec. 31, 2016	-64,260	-2,390	-78,100	-51,925	0	-196,674
Net book values at Dec. 31, 2016	139,607	20,602	61,429	45,446	324	267,409

The brand name acquired in the Stedim transaction (book value: €10,779 K) is considered to have an indefinite useful life as there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the company. Because of the integration of the "Stedim" brand into the "Sartorius Stedim Biotech" brand, a separate measurement of relevant cash flows is not possible, however. The recoverability of the brand name and of other intangible assets acquired within the scope of this business combination was considered at the next-higher level of the cash-generating unit (CGU), i.e., the Bioprocess Solutions Division.

For the remaining brand names acquired through the business combinations, their limited periods of useful life are estimated as up to ten years on average.

The customer relationships obtained as part of the acquisition of Stedim likewise constitute a material intangible asset. The book value of these customer relationships amounted to €29,8 million for the year ended December 31, 2016 (2015: €34.8 million); the remaining period of useful life is six years.

In fiscal 2016, the development costs of €18,286K (2015: €12,258 K) were recognized as assets. The capitalized development costs essentially covered the costs to be allocated to the projects for staff involved in the R&D effort, raw materials and supplies, outside services and directly attributable overhead. Internally generated intangible assets were amortized according to the straight-line method over their useful life.

Amortization of intangible assets is allocated to the corresponding functions in the statement of profit or loss. For capitalized development costs, amortization is disclosed in the cost of sales.

In fiscal 2016, no impairment expenses were recognized in the capitalized development costs (2015: €1.3 million of this amount, €1.1 million was for the Bioprocess Solutions Division and €0.2 million for the Lab Products & Services Division).

16. Property, Plant and Equipment

	Land, buildings and improvements € in K	Technical machinery and equipment € in K	Factory and office equipment and other equipment € in K	Payments on account and construction in progress € in K	Total € in K
Gross book values at Jan. 1, 2015	193,072	132,595	108,300	39,008	472,975
Currency translation	3,926	2,003	1,798	-30	7,696
Acquisitions through business combinations	160	1,272	1,855	0	3,288
Capital expenditures	8,957	10,373	20,757	44,085	84,172
Disposals	-641	-2,720	-7,892	-86	-11,339
Transfers	10,451	9,532	-3,022	-16,963	-2
Gross book values at Dec. 31, 2015	215,924	153,055	121,796	66,015	556,789
Depreciation and impairment losses at Jan. 1, 2015	-63,627	-78,603	-75,807	-2	-218,039
Currency translation	-783	-1,310	-1,147	7	-3,233
Depreciation and impairment losses in 2015	-7,540	-10,838	-10,307	-436	-29,121
Disposals	493	3,338	7,277	0	11,108
Transfers	21	-2,428	2,347	0	-60
Depreciation and impairment losses at Dec. 31, 2015	-71,436	-89,842	-77,637	-431	-239,345
Net book values at Dec. 31, 2015	144,488	63,213	44,159	65,584	317,444

	Land, buildings and improvements € in K	Technical machinery and equipment € in K	Factory and office equipment and other equipment € in K	Payments on account and construction in progress € in K	Total € in K
Gross book values at Jan. 1, 2016	215,924	153,055	121,796	66,015	556,789
Currency translation	-843	-614	-96	-820	-2,372
Acquisitions through business combinations	1	119	652	0	772
Capital expenditures	31,296	13,743	28,321	46,404	119,763
Disposals	-6,464	-3,037	-6,653	-160	-16,314
Reclassification in "held for sale"	-12,373	0	-1,949	-718	-15,040
Transfers	26,071	24,087	3,350	-53,322	186
Gross book values at Dec. 31, 2016	253,612	187,354	145,420	57,398	643,784
Depreciation and impairment losses at Jan. 1, 2016	-71,436	-89,842	-77,637	-431	-239,345
Currency translation	196	21	169	29	415
Depreciation and impairment losses in 2016	-9,706	-13,101	-14,754	-2	-37,562
Disposals	6,361	2,811	6,102	0	15,274
Reclassification in "held for sale"	9,693	0	1,760	0	11,453
Transfers	1,394	-773	-1,027	398	-8
Depreciation and impairment losses at Dec. 31, 2016	-63,498	-100,884	-85,386	-5	-249,773
Net book values at Dec. 31, 2016	190,114	86,470	60,034	57,393	394,011

Depreciation is included in the statement of profit or loss according to use of the assets in the cost of sales, selling and distribution expenses, research and development expenses, administrative expenses and other operating expenses.

After the Lab Products & Services Division moved into the new manufacturing building at the Goettingen site, the building previously used was torn down. To this extent, an impairment loss of €1.5 million was recognized for the residual carrying amount of this building.

During the ongoing expansion project of Group headquarters in Goettingen, Sartorius concluded an agreement to sell its original headquarters located at a different site in the same city. The property will be transferred during 2017 and 2018 in parallel with relocation to a new building that is still currently under construction. In this connection, property, plant and equipment with residual carrying amounts €3.6 million were classified as "held for sale"; no impairment losses were recognized.

Capitalized property, plant and equipment include assets held under finance leases that amounted to €20,636 K (2015: €20,521 K). The cost of acquisition of these assets totals €26,483 K (2015: €25,560 K).

17. Deferred Taxes

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Other intangible assets	0	0	55,933	35,838
Tangible assets	2	0	6,574	7,766
Inventories	8,825	7,805	0	0
Receivables and other current assets	353	388	708	1,383
Provisions	13,682	14,611	0	0
Liabilities	3,921	8,748	582	0
Gross amount	26,783	31,552	63,797	44,987
Taxable losses carried forward	14,954	3,462	0	0
Tax on non-distributed earnings of subsidiaries	0	0	4,525	4,570
Offset	-13,995	-16,140	-13,995	-16,140
	27,743	18,874	54,327	33,417

Deferred Tax Assets

On the reporting date, the Group had unused tax loss amounts carried forward of about €71 million (2015: around €33 million) to be deducted from future taxable profits. For German companies, the average of the loss carry-forward calculated from corporate income tax and from commercial income tax was taken into account. A deferred tax amount was reported on approx. €43 million (2015: approx. €10 million) of these losses. Concerning the remaining losses to be carried forward, no deferred tax amounts were recognized because of the lack of foreseeability of future taxable profits. Of the unused tax losses, €8.1 million can still be carried forward for a limited time (2015: €18.6 million) and of this carryforward amount, €7.8 million will expire in the next five years (2015: €5.7 million).

Deferred tax assets of approximately €5 million (2015: approx. €3 million) relate to companies that reported losses in this year under review or in the earlier reporting year. These losses carried forward were reported as assets because it is assumed that taxable profits would be available in future, against which the unused tax losses and the deductible temporary differences can be offset.

In addition, the Group had unused interest carry-forwards from German companies of the Group in the amount of €7 million (2015: €6 million). Deferred tax assets were not considered for these carry-forwards in the reporting year because from today's stance, use is not sufficiently probable for the remaining amounts carried forward.

Deferred Tax Liabilities

The deferred tax liabilities in connection with intangible assets essentially refer to assets acquired in business combinations and, consequently, are mainly linked to customer relationships.

The company has taxable temporary differences of €528 million (2015: €304 million) in connection with shares in subsidiaries. Deferred tax liabilities were not recognized on these temporary differences as the realization of such liabilities is not expected or planned within the foreseeable future. If these retained earnings were to be distributed, they would be subject to taxation at a rate of 5% in Germany; in addition, foreign withholding tax might be incurred.

In fiscal 2016, as in the previous years, a tax effect was yielded by reporting derivative financial instruments recognized outside the statement of profit or loss according to IAS 39 rules for hedge accounting, and the deferred tax assets from recognition of actuarial gains and losses were recognized in other comprehensive income. Likewise, the amount of current income taxes incurred by net investment in a foreign operation was recognized in other comprehensive income. The income taxes recognized in other comprehensive income are disclosed in the following table:

	2016 € in K	2015 € in K
Cash flow hedges	2,193	517
Remeasurements of the net defined benefit liability	1,232	-733
Net investment in a foreign operation	-539	1,592
Total	2,886	1,376

The change in deferred tax assets and liabilities (€-12.0 million net; 2015: €-6.7 million) includes currency translation effects in addition to the amounts recognized in the statement of profit or loss (€0.2 million; 2015: €+1.5 million) and in the other comprehensive income (€2.9 million; 2015: €1.4 million) and effects from the currency translations €0.5 million (2015: €+0.2 million) and additions related to acquisitions through business combinations €-15.5 million (2015: €-9.8 million).

18. Inventories

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Raw materials and supplies	76,008	54,664
Work in progress	61,893	55,934
Finished goods and merchandise	79,619	75,679
Payments on account	4,664	3,505
	222,184	189,782

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Gross amount inventories	237,903	207,095
Write-downs	-15,719	-17,313
Net amount of inventories	222,184	189,782

19. Current Trade and Other Receivables

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Trade receivables from third parties	230,543	183,869
Amounts due from customers for contract work	3,161	3,678
Receivables from non-consolidated affiliates	7,536	5,487
Trade receivables	241,240	193,034

In some business areas, the Group carries out long-term construction contracts to a limited extent. These customer-specific contracts are recognized by the application of IAS 11, Construction Contracts, based on the percentage of completion method.

In the reporting year, contract revenues of €23.5 million were earned (2015: €11.7 million). The aggregate amount of costs incurred and profits/losses recognized for projects in progress on the reporting date is €29.9 million (2015: €17.9 million). For these projects, advance payments of €26.7 million (2015: €14.2 million) were recorded.

Trade and other receivables were reported so that all discernible risks are covered. Allowances were recognized based on past experience with actual credit losses. Please refer to Section 11 concerning the expenses and income resulting from these allowances that are reported on the statement of profit or loss. The book values of trade receivables and other receivables approximate the receivables' fair value due to their short terms.

In the reporting year, valuation allowances developed as follows:

	2016 € in K	2015 € in K
Valuation allowances at the beginning of the year	-7,474	-5,816
Increases during the fiscal year	-2,612	-3,667
Derecognition and consumption	550	435
Recoveries of amounts previously impaired	2,593	1,775
Currency translation differences	43	-110
Change in the scope of consolidation	-9	-92
Valuation allowances at the end of the year	-6,910	-7,474

The following table shows the maturity structure of the receivables that are past due, but not impaired:

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
1-30 days	34,739	31,774
31-90 days	17,006	17,442
91-180 days	6,508	8,787
181-360 days	7,029	2,901
More than 360 days	2,586	2,340
Total	67,868	63,243

For trade receivables of €67,868 K that were past due on the reporting date (2015: €63,243 K), no valuation allowances were made as there was no material change in the creditworthiness of the debtors and it could be expected that they would pay the amounts outstanding. The trade receivables not yet due and other financial assets were not written down as there was no indication of impairment.

20. Other Assets

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Derivative financial instruments	348	44
Loan receivables from affiliates	4,620	3,495
Miscellaneous other financial assets	10,039	8,279
Other financial assets	15,007	11,818

21. Issued Capital

According to the resolution passed by the Annual General Shareholders' Meeting on April 7, 2016, share capital was increased by use of retained earnings for carrying out a so-called stock split at a ratio of 4:1. In the process, share capital was raised by €51.3 million by conversion of capital reserves. Each ordinary shareholder received three additional ordinary shares for each for each Sartorius ordinary share held, without an additional payment. Likewise, every preference share owner received three additional preference shares for every Sartorius preference share held, without an additional payment. As a result, the number of shares increased from 9,360,000 ordinary and 9,360,000 preference shares to 37,440,000 of each type of share.

As part of this share capital increase, the share in dividends (surplus and minimum dividends) of preference share owners was also adjusted. The holders of preference shares receive an increased dividend (surplus dividend) of €0.01 per preference share from the distributable annual profit; however, the dividend must amount to at least €0.02 per preference share. The calculation of the earnings per share was adjusted accordingly for the current account and for the previous year.

Sartorius AG exercised the authority granted at the Annual Shareholders' Meeting on June 21, 2000, to repurchase treasury shares in the amount of €16,082 K pursuant to §71, Subsection 1, No. 8, of the German Stock Corporation Law (AktG). According to IAS 32, treasury shares were deducted from equity and capital reserves.

These shares are held in particular as currency for future acquisitions of companies. From October 27, 2000 to the reporting date, 831,944 ordinary shares were repurchased at an average price of €11.27 and 840,893 preference shares at an average price of €7.98 on the whole. In December 2015, 25,000 ordinary shares and 25,000 preference shares were issued to CEO and Executive Board Charmain Dr. Joachim Kreuzburg pursuant to his 2014 remuneration agreement.

Following the stock split carried out in 2016, 3,227,776 ordinary shares and 3,263,572 preference shares remain as treasury stock as part of share capital, thus constituting a proportion of €6,492 K (8.7%).

No treasury shares were purchased in fiscal 2016.

22. Reserves

Capital Reserves

Capital reserves include the amounts generated in the previous years beyond the nominal amount when Sartorius AG issued shares. As part of the stock split, an amount of €51,291 K was reclassified from the capital reserves to issued capital in fiscal 2016.

In fiscal 2016, capital reserves rose by €1,356 K (2015:€1,356 K) due to the employee benefits expense to be offset in connection with the share-based remuneration agreement with Dr. Kreuzburg.

Cash Flow Hedging Reserves

Amounts recognized in other comprehensive income as part of an effective hedging relationship are transferred to the cash flow hedging reserves. In particular, these are fluctuations in the fair value of currency hedges as well as their respective tax effects. The cumulative amount to be transferred to other comprehensive income as of the reporting date stands at €-13,289 K (2015: -5,979 K).

Pension Reserves

Actuarial gains and losses from defined benefit plan commitments, including their respective tax effects, are included in the pension reserves.

23. Non-controlling Interest

The Sartorius Stedim Biotech subgroup headquartered in Aubagne, France, accounts for the majority of non-controlling interest in the Sartorius Group. The latter holds approximately 74% of capital shares and 85% of the voting rights in this subgroup. The following subsidiaries account for further non-controlling interest amounts:

- Sartorius Korea Biotech based in Seoul, South Korea, with a 69% share in capital
- Sartorius Thailand located in Bangkok (with a 49% share in capital)
- Sartorius Israel Ltd., Kibbutz Beit Haemek, Israel (49%)

The companies in Israel and Thailand were consolidated due to contractual arrangements to ensure control purposes.

	2016 € in K	2015 € in K
Cumulative non-controlling interest as of Dec. 31		
Sartorius Stedim Biotech	150,748	120,726
Other	6,386	6,291
	157,133	127,017
Profit or loss allocated to non-controlling interest		
Sartorius Stedim Biotech	39,557	30,373
Other	2,513	1,563
	42,070	31,936
Dividends paid to non-controlling interest		
Sartorius Stedim Biotech	7,918	5,131
Other	795	446
	8,713	5,577

The remaining 40% stake in AllPure Technologies was acquired by the non-controlling interest as of December 31, 2016. The forward on this non-controlling interest was transferred to so-called phantom stock units. Based on the corresponding agreement, the purchase price for the shares continues to depend on the company's future performance and will be due in 2022 at the latest.

The following condensed financial information refers to the Sartorius Stedim Biotech Group:

Condensed Statement of Financial Position

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Non-current assets	764,116	715,306
Current assets	431,733	350,831
	1,195,849	1,066,137
Equity	763,556	647,219
Non-current liabilities	147,928	146,229
Current liabilities	284,364	272,690
	1,195,849	1,066,137

Condensed Statement of Profit or Loss and Other Comprehensive Income

	2016 € in K	2015 € in K
Sales revenue	1,051,611	884,331
Profit before tax	212,985	169,678
Income taxes	-57,108	-50,184
Net profit for the period	155,877	119,494
Other comprehensive income after tax	-7,117	16,010
Total comprehensive income	148,760	135,504

Condensed Statement of Cash Flows

	2016 € in K	2015 € in K
Net cash flow from operating activities	156,659	142,789
Net cash flow from investing activities and acquisitions	-102,733	-106,329
Net cash flow from financing activities	-50,097	-27,235
Net increase decrease in cash and cash equivalents	3,830	9,226
Cash and cash equivalents at the beginning of the period	31,831	18,544
Net effect of currency translation on cash and cash equivalents	-905	4,063
Cash and cash equivalents at the end of the period	34,756	31,832

24. Pension and Employee Benefits Provisions

Defined Contribution Plans

Most of the companies of the Group have defined contribution plans, frequently in the form of government-backed retirement insurance. In fiscal 2016, an amount of €26.5 million was recognized for defined contribution plans (2015: €23.0 million).

In fiscal 2016, the Group companies in Japan converted their defined-benefit plans into defined contribution plans. The amount of €0.6 million recorded in other income was reclassified into the retained earnings.

Defined Benefit Plans

Pension provisions and similar obligations have been recognized in the consolidated financial statements of the Sartorius Group in accordance with actuarial principles. All actuarial gains and losses are shown directly in other comprehensive income according to the IAS 19 Standard. The actuarial losses, which were transferred to the pension reserves, essentially resulted from a change in the discount rate and totaled €-28,295 K (2015: €-24,517 K).

An amount of €53,567 K (2015: €49,269 K) relates in particular to the net amount of pension provisions for retirement pension plans in Germany. These provisions are based on direct commitments under defined benefit pension plans. Under these commitments, the employees earn benefits for each year of service rendered to the company. The pension benefits are generally not funded with assets. A substantial portion of these provisions relate to Sartorius AG. In this case, the obligations measured pertain to the General Pension Plan ("Allgemeine Versorgungsordnung") for employees whose employment commenced prior to January 1, 1983, on the one hand. On the other, individual commitments to active and former Executive Board members and executives exist in the form of performance-based post-employment benefit plans.

The assumed discount factors reflect the interest rates that were paid on the reporting date for prime corporate (industrial) bonds with matching maturities and denominated in the relevant currencies. If such corporate bonds are not available with matching long-term maturities or are insufficiently available, their matching interest rates are determined by extrapolation.

Measurement of the post-employment benefit obligations of the German Group companies is based on the following actuarial assumptions:

	2016	2015
Discount rate	1.68%	2.27%
Future salary increases	3.00%	3.00%
Future pension increases	2.00%	2.00%

Concerning the assumptions on mortality and invalidity, the actuarial tables (RT) 2005 G compiled by Klaus Heubeck were used.

The following parameters were used for the French companies:

	2016	2015
Discount rate	1.42%	2.00%
Future salary increases	2.50%	2.50%
Future pension increases	2.00%	2.00%

The amounts reported in the statement of profit or loss and in the statement of comprehensive income consist of the following:

	2016 € in K	2015 € in K
Service cost	1,633	1,332
Net interest cost	1,143	1,101
Components of defined benefit costs recognized in profit or loss	2,777	2,433
Return on plan assets (excl. interest)	31	31
Actuarial gains losses	4,675	-2,226
Components of defined benefit costs recognized in other comprehensive income	4,706	-2,195
Total defined benefit costs	7,483	238

In the statement of profit or loss, the current service cost is disclosed according to the assignment of employees to the respective functions.

The net amount or present value included in the consolidated statement of financial position arising from the Group's obligation in respect of defined benefit plans is as follows:

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Present value of obligations	71,759	66,760
Fair value of the plan assets	7,677	6,959
Net liability	64,082	59,801

Defined Benefit Obligation

	2016 € in K	2015 € in K
Present value of obligations as of Jan. 1	66,760	67,176
Current service cost	2,003	2,020
Past service cost	-370	-688
Interest cost	1,234	1,219
Actuarial gains losses	4,627	-2,227
Currency translation differences	180	699
Retirement benefits paid in the reporting year	-2,533	-2,268
Employer contributions	302	256
Employee contributions	208	188
Contributions by the plan participants	-720	474
Other changes	67	-90
Present value of obligations as of Dec. 31	71,759	66,760

The actuarial gains and losses of the defined benefit obligation are allocated as follows:

	2016 € in K	2015 € in K
Experience adjustments	-207	72
Changes in demographic assumptions	-257	-201
Changes in financial assumptions	5,090	-2,098
Total	4,627	-2,227

Plan Assets

	2016 € in K	2015 € in K
Plan assets at Jan. 1	6,959	5,994
Interest income	90	118
Return on plan assets (excl. interest)	-31	-31
Actuarial gains losses	-48	-1
Group contribution & payments	-1,028	-904
Employee contributions	208	188
Currency translation differences	61	447
Employer contributions	957	626
Contributions by the plan participants	361	522
Other changes	148	-1
Plan assets as of Dec. 31	7,677	6,959

Composition of Plan Assets

Plan assets essentially consist of insurance contracts with insurance companies in Germany and Switzerland. An amount of €1.4 million (2015: €1.2 million) is held by local banks as securities for a subsidiary in South Korea.

Risks

The defined benefit plans do not entail any significant entity-specific or plan-specific risks. Due to the rather low coverage of the defined benefit obligation by plan assets, liquidity risks basically arise, which are immaterial for the Group due to their low monetary amount.

Sensitivity Analysis

An increase or a decrease in the actuarial assumptions would have the following impacts on the defined benefit obligations for the year ended December 31, 2016 (a positive sign in front of the number means an increase in the obligation):

Demographic assumptions		
Change in life expectancy	-1 year	+1 year
Effect	-1,789	1,814
Financial assumptions		
Change in discount rate	-100 bps	+100 bps
Effect	12,274	-9,621
Change in future salary increase	-50 bps	+50 bps
Effect	-1,028	1,111
Change in future pension increase	-25 bps	+25 bps
Effect	-1,726	1,808

Present value of the defined benefit obligations for the year ended December 31, 2015:

Demographic assumptions		
Change in life expectancy	-1 year	+1 year
Effect	-1,575	1,601
Financial assumptions		
Change in discount rate	-100 bps	+100 bps
Effect	11,082	-8,729
Change in future salary increase	-50 bps	+50 bps
Effect	-816	871
Change in future pension increase	-25 bps	+25 bps
Effect	-1,576	1,651

The sensitivity analysis presented above might not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another. Furthermore, the present value of the defined benefit obligation has been calculated using the same method that was applied in calculating the defined benefit obligation liability recognized in the statement of financial position (projected unit credit method).

Maturity Analysis

The undiscounted cash flows from defined benefit obligations can be allocated to maturities as follows:

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
<1 year	2,759	2,724
1–5 years	12,658	11,893
6–10 years	18,062	19,761
>10 years	89,086	86,239

The weighted average duration of the defined benefit obligations is 16.6 years (2015: 15.8 years).

For fiscal 2016, payments of €2.9 million for defined benefit plan commitments are expected (2015: €2.7 million). These cover contributions to plan assets and payment of retirement benefits.

25. Other Non-current Provisions

	Payments to employees on early retirement plan € in K	Other € in K	Total € in K
Balance at Jan. 1, 2015	4,450	2,809	7,259
Currency translation	0	180	180
Consumption	-1,533	-379	-1,912
Reclassifications	0	234	234
Reversals Utilization	0	-1,203	-1,203
Additions	1,798	1,380	3,178
Balance at Dec. 31, 2015	4,715	3,021	7,736

	Payments to employees on early retirement plan € in K	Other € in K	Total € in K
Balance at Jan. 1, 2016	4,715	3,021	7,736
Currency translation	0	25	25
Consumption	-1,043	-839	-1,882
Reversals Utilization	0	-3	-3
Additions	1,047	882	1,929
Balance at Dec. 31, 2016	4,719	3,086	7,805

The non-current provisions comprise mainly provisions for partial retirement, a type of early retirement plan, and employee bonuses for their company anniversaries. These obligations arise mainly at German Group companies. The early retirement plans are partial retirement plans that permit employees to work part-time for 3 to 5 years directly before they are due to retire at the legal retirement age and that are financially supported by the company.

According to IAS 19, the expenses related to severance payments to be earned in future periods must be spread over the active employee's respective remaining period of service.

Bonuses for company anniversaries are generally granted to employees who have accumulated seniorities of 20, 25, 30 and 40 years, and cover additional special vacation as well as relatively small sums of money.

Non-current provisions are reported at their present value on the reporting date. The discount interest rate for employees on the early retirement plan is 0.0% (2015: 0.3%) and for provisions accrued for company anniversaries 1.7% (2015: 1.6%). In fiscal 2016, the effect from compounding non-current provisions, including the effects of changes in the interest rate, were immaterial. IAS 19 Rules require that such actuarial gains and losses, as well as past service costs, on these obligations be recognized as income or expense in the statement of profit or loss.

26. Non-current Liabilities

Loans and Borrowings and Finance Lease Liabilities

	Balance at Dec. 31, 2016 € in K	Of which non- current € in K	Balance at Dec. 31, 2015 € in K	Of which non- current € in K
Loans and borrowings	525,996	433,032	374,991	346,791
Finance lease liabilities	21,939	18,917	21,796	19,253
	547,935	451,949	396,787	366,044

The major pillar of financing for the Sartorius Group is the syndicated credit line of €400 million concluded in December 2014 with a maturity of up to 2021. With this financing arrangement, Sartorius has replaced two syndicated credit lines ahead of schedule and has consolidated its financing within the Group.

Further elements of the company's financing are two note loans ("Schuldscheindarlehen") placed in 2012 and 2016, respectively, with an average outstanding loan balance of around €280 million and original maturities of 5 to 10 years..

Moreover, the company has existing non-current loans in place that total around €310 million used in part for expansion of production capacities.

Beyond these components, the company has diverse working capital and guaranteed credit lines totaling approximately €70 million.

Other Non-current Liabilities

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Derivative financial instruments	10,211	7,084
Other liabilities	63,442	47,451
Total	73,653	54,535

The derivative financial instruments represent the negative market values of interest rate swap agreements entered into as interest rate hedges, as well as of hedging transactions for currency hedges.

Other non-current liabilities essentially include the liability for payment of the remaining purchase price for the acquisition of Lonza's cell culture media business and the liability in connection with the non-controlling interests of AllPure.

27. Current Provisions

	Warranties € in K	Other € in K	Total € in K
Balance at Jan. 1, 2015	4,489	4,390	8,880
Currency translation	160	145	305
Change in the scope of consolidation	151	79	230
Consumption	-1,540	-3,485	-5,025
Reclassifications	0	-525	-525
Reversals Utilization	-791	-181	-972
Additions	2,614	12,580	15,194
Balance at Dec. 31, 2015	5,085	13,002	18,087

	Warranties € in K	Other € in K	Total € in K
Balance at Jan. 1, 2016	5,085	13,002	18,087
Currency translation	-93	-14	-107
Change in the scope of consolidation	61	0	61
Consumption	-3,119	-807	-3,926
Reclassifications	1,500	-1,500	0
Reversals Utilization	-679	-3,651	-4,329
Additions	3,667	4,651	8,318
Balance at Dec. 31, 2016	6,422	11,682	18,104

In measuring the other provisions, all recognizable obligations that are based on past business transactions or past events and are of uncertain timing or amount are recognized.

Provisions are recognized only if they result from a legal or constructive obligation with respect to third parties.

Provisions for warranties cover expected return of products, replacement deliveries and repairs. Such provisions are set up to cover individual risks, provided that their occurrence is more probable than their non-occurrence, as well as to cover general warranty risks based upon past experience.

The other provisions essentially include those for pending losses on onerous contracts and for uncertain obligations concerning employee benefits.

28. Current Liabilities**Trade Payables**

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Payments received on account of orders	44,002	42,225
Trade payables to third parties	75,625	70,746
Payables to participations	676	114
Payables to non-consolidated subsidiaries	68	87
Trade payables	120,371	113,171

Other Financial Liabilities

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Derivative financial instruments	9,127	5,378
Other	22,730	17,373
Other financial liabilities	31,857	22,751

Other Liabilities

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Tax and social security	16,518	16,510
Other	8,481	4,909
Other liabilities	24,999	21,419

29. Other Financial Obligations | Contingent Assets and Liabilities

Other financial obligations in conjunction with operating leases consist of the following:

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Operating leases		
-due within one year	14,355	10,851
-due within 2 to 5 years	23,809	18,494
-due thereafter	4,116	4,488

30. Financial Instruments | Financial Risks**General Information**

This section gives an overview of the impact of financial instruments on the financial statements of the Sartorius Group and provides additional information on the items that contain financial instruments in the statement of financial position.

Derivatives are measured at fair value according to recognized mathematical methods. The fair values are based on the market data available at the time the value of these derivatives is calculated.

In the fiscal year ended, there were no reclassifications of financial instruments.

Carrying Amounts and Fair Values

The following table compares the carrying amounts and the fair values of all categories of financial instruments and reconciles these with the items on the statement of financial position.

	Categories	Carrying amount Dec. 31, 2016 € in K	Fair value Dec. 31, 2016 € in K	Carrying amount Dec. 31, 2015 € in K	Fair value Dec. 31, 2015 € in K
Financial investments	Available for sale	3,810	3,810	4,805	4,805
Financial assets	Loans and receivables	3,227	3,227	3,306	3,306
Derivative financial instruments	Held for trading	316	316	0	0
Derivative financial instruments in hedge relationships	n/a	155	155	0	0
Financial assets (non-current)		7,508	7,508	8,111	8,111
Trade receivables	Loans and receivables	241,240	241,240	193,034	193,034
Receivables and other assets	Loans and receivables	14,659	14,659	11,774	11,774
Derivative financial instruments	Held for trading	18	18	0	0
Derivative financial instruments in hedge relationships	n/a	330	330	44	44
Other financial assets (current)		15,007	15,007	11,818	11,818
Cash and cash equivalents	Loans and receivables	62,027	62,027	52,796	52,796
Loans and borrowings	Financial liabilities at cost	525,996	536,250	374,991	389,240
Finance lease liabilities	IAS 17	21,939	33,488	21,796	28,528
Trade payables	Financial liabilities at cost	76,369	76,369	70,946	70,946
Trade payables payments received	n/a	44,002	44,002	42,225	42,225
Trade payables		120,371	120,371	113,171	113,171
Derivative financial instruments	Held for trading	5,564	5,564	6,439	6,439
Derivative financial instruments in hedge relationships	n/a	13,774	13,774	6,023	6,023
Other financial liabilities	Financial liabilities at cost	66,933	73,657	59,396	66,984
Other financial liabilities	Fair value through OCI	13,809	14,747	0	0
Other financial liabilities	At fair value through profit or loss	5,833	5,833	5,428	5,428
Other financial liabilities		105,913	113,575	77,287	84,875

The aggregate carrying amounts of the financial instruments for each IAS 39 category are shown in the following table:

	Dec. 31, 2016 € in K	Dec. 31, 2015 € in K
Available-for-sale assets	3,810	4,805
Loans and receivables	321,153	260,911
Held for trading assets	334	0
Financial liabilities at cost	669,298	505,334
At fair value through profit or loss	5,833	5,428
Fair value through OCI	13,809	14,747
Held for trading liabilities	5,564	6,439

For the equity investments measured at acquisition cost (financial assets), it is not possible to determine fair values reliably due to the absence of active markets. This applies mainly to shares in non-consolidated subsidiaries. These are essentially sales companies of the Group; the calculation of fair values for their activities would therefore not be relevant for the economic decisions of the users. There is currently no intention to sell these shares in such affiliates.

The fair values of the financial instruments were determined on the basis of the market information available on the reporting date and are to be allocated to one of the three levels of the fair value hierarchy in accordance with IFRS 13.

Level 1 financial instruments are calculated on the basis of prices quoted on active markets for identical assets and liabilities. In Level 2, financial instruments are calculated on the basis of input factors, which are derivable from observable market data, or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors that cannot be derived from observable market data.

The financial instruments to be recognized at fair value on the reporting date are derivatives in the form of forward contracts, interest rate swaps and structured forward contracts. They were measured on the basis of their quoted exchange rates and market yield curves, taking counterparty risks into account (Level 2).

The fair values to be disclosed for financial liabilities recognized at amortized cost, especially liabilities to banks and those related to note loans ("Schuldscheindarlehen"), were measured on the basis of the market interest rate curve according to the zero coupon method, taking the current indicative credit spreads into account (Level 2).

The purchase price liability for the non-controlling interest in Sartorius Israel and the liability from the AllPure phantom units are required to be disclosed in the amount of the present value of the expected purchase price payments. This present value is to be derived from the expected sales revenues of the respective companies or businesses as of the exercise date and from the risk-adjusted discount rate presented above (Level 3).

The fair values of the remaining financial assets and liabilities to be disclosed approximate the carrying amounts on account of their predominantly short-term maturity.

The maximum default risk to be disclosed is reflected by the carrying amounts of the financial assets recognized in the statement of financial position.

Measurement of Fair Value

The Group recognizes transfers between the levels of the fair value hierarchies at the end of the reporting period during which the change has occurred. In the current reporting period, there were no transfers between the levels.

The valuation of the Level 3 liabilities was based on a discounted cash flow technique in which the expected future payments are discounted using a risk-adjusted discount rate. The expected payments are determined by considering possible developments of future revenue and the amounts to be paid under each scenario. The significant unobservable input in this calculation is the future revenue.

For valuation of the liability from the AllPure phantom units, an average yearly revenue growth rate between 15% and 20% was assumed.

The carrying amount of the liability developed as follows:

€ in K	2016	2015
Balance at January 1	5,428	6,183
Changes in fair values	141	0
Financial charges	86	93
Payments	0	-1,532
Currency effects	178	684
Balance at December 31	5,833	5,428

An increase (decrease) of the expected sales revenue by 10% in each of the following years would lead to an increase (decrease) of the liability by €0.6 million (€0.6 million).

For the purchase price liability to acquire shares in Sartorius Israel, an average growth rate of approx. 15% was assumed. The carrying amount developed as follows:

€ in K	2016	2015
Balance at January 1	0	
Initial measurement	13,439	
Changes in fair values	-21	
Financial charges	391	
Payments	0	
Balance at December 31	13,809	0

An increase (decrease) of the expected sales revenue by 10% would lead to an increase (decrease) in the liability by €1.4 million (€1.4 million).

Net Result for Financial Instruments

The net gains and losses of the various categories of financial instruments are presented in the following table:

	2016 € in K	2015 € in K
Available-for-sale assets	0	34
Loans and receivables	3,780	3,251
Financial assets and liabilities held for trading	1,209	2,505
Financial liabilities at cost	-5,501	-13,104
At fair value through profit or loss	227	93

The net result of available-for-sale financial assets essentially is comprised of dividends and capital gains or losses from equity investments and non-consolidated subsidiaries.

The net result of borrowings and receivables primarily includes effects from currency translation and changes in valuation adjustments.

The net result of a financial assets and liabilities held for trading is primarily comprised of changes in the market value of derivative financial instruments and of interest income and expenses for these instruments.

The net result of liabilities measured at acquisition cost mainly consists of effects from currency translation.

The total interest income and expenses for financial assets and liabilities that are not recognized at fair value through profit and loss are as follows:

	2016 € in K	2015 € in K
Interest income	559	1,636
Interest expenses	-10,430	3,214

Capital Management

In the Sartorius Group, capital is managed in order to maximize earnings of the company's stakeholders by optimizing the ratio of equity to liabilities. Furthermore, we ensure that all Group companies operate under the premise of the going-concern principle.

The financial liabilities described in Section 26 are regarded as managed capital and, furthermore, so are the cash and cash equivalents as well as equity capital.

Goals of Financial Risk Management

The Treasury Management unit of the Group coordinates access to national and international financial markets. In addition, the Treasury Management unit monitors and controls financial risks, which essentially entail currency, interest rate and liquidity risks.

The Sartorius Group strives to minimize the impact of currency and interest rate risks using derivative financial instruments. Hedging transactions and their controlling are carried out by different staff members. Moreover, the Group's Internal Auditing Department regularly monitors the use of such financial instruments. Trading with derivative financial instruments is done for hedging purposes only.

Management of Exchange Rate Risks

The Group is exposed to currency risks as approximately one-third of sales revenue is generated in U.S. dollars or currencies linked to the U.S. dollar and, to a lesser extent, in other foreign currencies. At the same time, Sartorius' global manufacturing network enables the company to offset the lion's share of sales revenues received in foreign currency within the Group against costs likewise incurred in foreign currency. The portion of sales revenue in foreign currency that remains after we have settled our costs, i.e., net currency exposure resulting from currency translation, is hedged to a large extent by derivative financial instruments. Our hedging strategy generally provides for hedging remaining net currency exposure up to 1.5 years ahead. Due to the current low interest rate for the U.S. dollar, we extended hedging to up to 36 months ahead. These hedging measures are reviewed at regular intervals to adapt them, where necessary, to expected exchange rate fluctuations.

Using forward contracts concluded by the end of the reporting date, we secure the right, and simultaneously create the obligation, to sell an established foreign currency amount on the exercise date at a specific exchange rate against the euro, independently of the exchange rate actually valid on this date. The profit or loss resulting from the difference between the current and the previously established exchange rate is generally measured as income or an expense in the statement of profit or loss.

In addition, structured hedges, so-called target profit forwards, are used in part to optimize hedging transactions. These transactions secure the right and create the obligation to swap an agreed amount in a foreign currency for the corresponding euro amount at a fixed exchange rate on several target dates as long as the profit resulting from these exchange transactions does not exceed a contractually defined limit.

As of the reporting date, the company had forward contracts for a total volume of U.S. \$238 million (2015: \$139 million) to hedge against the risk of fluctuation in the EUR | USD exchange rate. Furthermore, the Japanese yen, British pound and Swiss franc were hedged in relatively small volumes, in part using structured forwards in the form of target profit forwards.

The remaining net currency exposure related to the U.S. dollar is approx. €150 million to €200 million for the years 2017 and 2018.

December 31, 2015	Currency	Volume	Maturity	Fair value € in K
Forward contract	USD	19,000,000	Q1 2016	-1,406
	USD	19,000,000	Q2 2016	-947
	USD	21,000,000	Q3 2016	-931
	USD	19,000,000	Q4 2016	-1,017
	USD	14,500,000	Q1 2017	-589
	USD	14,500,000	Q2 2017	-721
	USD	16,000,000	Q3 2017	-763
	USD	16,000,000	Q4 2017	-593
	USD	139,000,000		-6,967
Target profit forward	USD	14,000,000	Q3 2017	-53
Forward contract	GBP	-1,200,000	Q1 2016	10
Forward contract	CHF	-2,000,000	Q1 2016	-49
	CHF	-1,000,000	Q2 2016	-51
	CHF	-3,000,000		-100
Target profit forward	JPY	525,000,000	Q3 2017	-46

December 31, 2016	Currency	Volume	Maturity	Fair value € in K
Forward contract	USD	21,500	Q1 2017	-1,798
	USD	27,500	Q2 2017	-2,485
	USD	23,000	Q3 2017	-2,081
	USD	30,000	Q4 2017	-1,780
	USD	29,000	Q1 2018	-1,746
	USD	23,000	Q2 2018	-1,538
	USD	20,000	Q3 2018	-1,124
	USD	18,000	Q4 2018	-1,038
	USD	16,000	Q1 2019	-416
	USD	14,000	Q2 2019	-338
	USD	11,000	Q3 2019	-195
	USD	5,000	Q4 2019	11
	USD	238,000		-14,526
Target profit forward	USD	6,000	Q1 2017	-118
	USD	6,000	Q2 2017	-118
	USD	6,000	Q3 2017	-118
	USD	6,000	Q4 2017	-118
	USD	6,000	Q1 2018	-118
	USD	4,000	Q2 2018	-38
	USD	3,000	Q3 2018	2
	USD	2,000	Q4 2018	1
	USD	39,000		-627
Forward contract	CHF	4,000	Q1 2017	41
	CHF	2,000	Q2 2017	40
	CHF	2,000	Q3 2017	39
	CHF	2,000	Q4 2017	40
	CHF	2,000	Q1 2018	40
	CHF	12,000		200
Target profit forward	JPY	-150,000	Q1 2017	-51
	JPY	-150,000	Q2 2017	-51
	JPY	-150,000	Q3 2017	-51
	JPY	-50,000	Q4 2017	-18
	JPY	-500,000		-170

Derivative financial instruments are measured at the time of acquisition at cost and at fair value on subsequent reporting dates. The changes in value of the derivative financial instruments are recognized in the statement of profit or loss on the reporting date. If the derivative financial instruments serve to hedge against cash flow risk and a qualified hedging relationship exists based on the criteria of IAS 39, the valuation adjustments for the portion determined to be effective hedges are recognized in other comprehensive income. The non-designated portion of the gain or loss is recognized in the financial result.

Concerning the exchange rate of the U.S. dollar to the euro, the following sensitivities provide the estimated impacts: If the U.S. dollar would have depreciated 10% against the euro, equity would have been €13.7 million higher (2015: €16.3 million) than actually reported and annual profit before tax would have been decreased by €1.2 million (2015: €4.4 million) from the currently disclosed figure. Vice versa, if the U.S. dollar would have appreciated 10% against the euro, the resulting impact on the annual profit before tax would have been €-1.5 million (2015: €-9.4 million) and the impact on equity €-16.7 million (2015: €-19.9 million). These impacts include effects from the Group's intercompany loans, which are partially compensated for by effects of currency reserves for translation.

A change in the Swiss franc (CHF) would have primarily affected measurement of the liability recorded in CHF resulting from the acquisition of the Lonza cell culture media business in 2012. An increase or a decrease of the CHF rate by 5% would have had an effect of €-2.1 million (2015: €-2.2 million) or €+2.3 million (2015: €-2.0 million), respectively, on this measurement.

Interest Risk Management

The entire Sartorius Group is generally financed through Sartorius AG, which uses internal Group loans to ensure the financing of all Group companies.

As most of the loans are predominantly taken out at variable interest rates, the Sartorius Group is exposed to interest rate risks. To control the interest rate risk, the Group concluded interest rate hedges in the form of interest swaps, which cover part of the loans outstanding at variable interest rates. As a result, the Group receives the particular (variable) interest rate valid on the market and pays a fixed interest rate.

The following table provides an overview of the interest hedging contracts available on the reporting date:

Instrument	Hedged volume at Dec. 31, 2016 € in K	Hedged volume at Dec. 31, 2015 € in K	End of term	Hedged interest rate	Fair value Dec. 31, 2016 € in K	Fair value Dec. 31, 2015 € in K
Swaps	40,000	0	Mar. 19	1.68% -2.02%	-2,043	0
Swaps	40,000	160,000	Mar. 16 - Aug. 18	1.83% -2.89%	-1,353	-2,862
Forward swaps		40,000	Mar. 19	1.96% -2.02%	0	-2,399
					-3,396	-5,261

As of the reporting date on December 31, 2016, the volume of variable interest loans was around €140 million (2015: €240 million). The hedging volume for the next three years is €80 million so that up to two-thirds of the company's exposure to interest rate risks is hedged (2015: debt of €240 million vs. a hedging volume of €40 million to €160 million).

For the financial instruments held as of the reporting date, a sensitivity analysis yields the following results: If the market interest rate would have been 1.0 percentage point higher, this would have had an impact of €-3.1 million resulting from the variable interest loan (2015: €-2.4 million). The opposite effect would

have been yielded by the valuation of the interest rate swaps of €2.4 million (2015: €2.4 million) so that there would have been an impact on the annual profit amounting to €-0.7 million.

A decrease in the base interest rate to 0% was used to measure the sensitivities of declining interest rates. Under this condition, the corresponding impact on profit before tax would have been negative on the whole due to the valuation of the existing interest rate hedging transactions (€-1.8 million).

Liquidity Risk Management

The following table shows the liquidity analysis for financial liabilities, excluding derivatives, in the form of contractually agreed undiscounted cash flows based on conditions as of the reporting date:

	Carrying amount Dec. 31, 2015 € in K	Cash flow Dec. 31, 2015 € in K	< 1 year € in K	1 – 5 years € in K	> 5 years € in K
Loans and borrowings	374,991	397,311	34,764	227,518	135,029
Finance leases	21,796	40,293	3,054	10,270	26,968
Trade payables	70,946	70,946	70,946	0	0
Other liabilities (excluding derivatives)	64,825	73,564	17,373	23,887	32,303
Financial liabilities	532,558	582,113	126,138	261,676	194,300

	Carrying amount Dec. 31, 2016 € in K	Cash flow Dec. 31, 2016 € in K	< 1 year € in K	1 – 5 years € in K	> 5 years € in K
Loans and borrowings	525,996	561,254	102,010	251,729	207,515
Finance leases	21,939	40,396	3,407	10,205	26,785
Trade payables	76,369	76,369	76,369	0	0
Other liabilities (excluding derivatives)	86,173	100,038	22,730	22,318	54,989
Financial liabilities	710,477	778,057	204,516	284,252	289,289

The carrying amounts and cash flows for the derivatives are shown as follows:

	Carrying amount Dec. 31, 2015 € in K	Cash flow Dec. 31, 2015 € in K	< 1 year € in K	1 – 5 years € in K	> 5 years € in K
Gross fulfillment					
Forward contracts	7,200	7,198	4,533	2,665	0
Payment obligation			68,554	54,976	
Payment claim			-64,021	-52,311	
Net fulfillment					
Interest rate swaps	5,262	5,299	2,352	2,947	0
Derivatives	12,462	12,497	11,418	8,277	0

	Carrying amount Dec. 31, 2016 € in K	Cash flow Dec. 31, 2016 € in K	< 1 year € in K	1 – 5 years € in K	> 5 years € in K
Gross fulfillment					
Forward contracts	14,722	14,555	8,229	6,326	0
Payment obligation			92,399	106,747	
Payment claim			-84,171	-100,421	
Net fulfillment					
Interest rate swaps	3,396	3,377	1,735	1,642	0
Derivatives	18,118	17,932	18,192	14,294	0

Target profit forwards with a negative market value of strukturierten Termingeschäften (Target Profit Forward) mit einem negativen Marktwert von €-800 K (2015: €-99 K) are not included in the figures listed above.

The Group controls liquidity risks by maintaining credit lines and additional facilities with banks, continuously tracking the forecasted and actual cash flows and by managing the maturity profiles of financial assets and liabilities.

It is not expected that cash outflows will occur at materially different reporting dates or with materially different amounts.

As of December 31, 2016, offsetting potential for financial instruments due to global netting agreements amounted to €0.4 million (German Master Agreement for Financial Futures).

Credit Lines

€ in K	Credit line at Dec. 31, 2015	<1 year	1 to 5 years	>5 years	Interest rate	Credit line used at Dec. 31, 2015	Credit line unused as of Dec. 31, 2015
Syndicated credit lines	400,000	0	400,000	0	Variable	60,000	340,000
Note loan (Schuldscheindarlehen)	100,000	0	78,500	21,500	Variable and fixed	100,000	0
Bilateral credit line	257,425	71,363	75,400	110,663	Variable and fixed	236,787	20,638
Total	757,425	71,363	553,900	132,163		396,787	360,638

€ in K	Credit line at Dec. 31, 2016	<1 year	1 to 5 years	>5 years	Interest rate	Credit line used at Dec. 31, 2016	Credit line unused as of Dec. 31, 2016
Syndicated credit lines	400,000	0	400,000	0	variabel	0	400,000
Note loan (Schuldscheindarlehen)	281,500	36,000	115,500	130,000	variabel und fix	281,500	0
Bilateral credit line	283,343	72,880	141,338	69,125	variabel und fix	265,695	17,647
Total	964,843	108,880	656,838	199,125		547,195	417,647

As explained in Section 26, the Group is essentially financed by a syndicated loan, note loans ("Schuldscheindarlehen") and bilateral loans. Under these agreements, the Group is required to comply with standard financial key ratios, or covenants. In this context, the ratio of net debt to underlying EBITDA may not be greater than 3.25 and 4.00, respectively. In fiscal 2016, the Group achieved a ratio of net debt to underlying EBITDA of 1.5 compared with 1.3 in 2015 (both ratios include the company's discontinued operation). Based on the current information available, the company considers it unlikely that it would not comply with these covenants.

Other Risks Associated with Financial Instruments

As of the reporting date, the Sartorius Group had not been exposed to any significant risk of volatility in share prices; only vested portions of share-based payments are linked directly to the price development of Sartorius stock.

For details concerning further types of risk, please refer to the Group Management Report.

31. Share-based Payments

Within the Sartorius Group, share-based payments exist in the form of so-called phantom stock units at Sartorius AG and stock option plans at Sartorius Stedim Biotech S.A.

The so-called phantom stocks are virtual options on the shares of Sartorius AG. Specifically, the company's phantom stock plan credits each member of the Executive Board or GEC at the beginning of every year with phantom stock units valued at an agreed monetary sum. These phantom stock options may be

exercised no earlier than four years after this sum has been credited and only if certain conditions with respect to the performance of Sartorius AG shares are met. If an Executive Board member exercises an option, the number of phantom stock units granted is evaluated at the current stock exchange price. The amount paid out is capped at 2.5 times the grant price. For further details, please refer to the Remuneration Report. The fair value of the phantom stock units was measured using a Black-Scholes model and is disclosed as follows:

Components with a long-term incentive effect	Number of phantom stock units	Fair value at year-end on	Fair value at year-end on	Paid out € in K
		Dec. 31, 2016 € in K	Dec. 31, 2015 € in K	
Tranche for fiscal 2012	36,208	0	748	748
Tranche for fiscal 2013	18,704	811	811	0
Tranche for fiscal 2014	19,040	1,000	1,064	0
Tranche for fiscal 2015	17,992	1,110	1,110	0
Tranche for fiscal 2016	8,436	465	0	0
	100,380	3,386	3,733	748

In fiscal 2016, the expenses relating to granting and valuation of phantom stock units were €465 K (2015: €2,005 K). As in the prior year, no phantom stock units were exercisable on the reporting date. Of the phantom stock units granted in the reporting year, 7,076 units with a fair value of €406K on the grant date were attributable to members of the Executive Board. For details on phantom stock units, please refer to the Remuneration Report that is an integral part of the Group Management Report.

By resolution of the Supervisory Board on December 16, 2014, Dr. Kreuzburg was reappointed as a member of the Executive Board and as its Chairman and CEO for the term of November 11, 2015, to November 10, 2020. His employment contract, which has been in effect since November 11, 2015, provides that 25,000 ordinary shares and 25,000 preference shares of the company shall be transferred as a supplementary compensation component to Dr. Kreuzburg. This share-based payment is subject to the rules of IFRS 2 and is deemed to have been granted upon the resolution approved by the Supervisory Board on December 16, 2014. Considering the agreed conditions, the amount resulting as of December 16, 2014, is to be spread as

an employee benefits expense over the full vesting period of the plan. In fiscal 2016, an amount of €1,356 K (2015: €1,356 K) was accordingly recognized as an employee benefits expense resulting from the grant of shares. For further details, please refer to the Remuneration Report.

The stock option plans for staff of the Sartorius Stedim Biotech Group relate to shares of Sartorius Stedim Biotech S.A. The various stock option plans outstanding or exercisable on the reporting date are shown as follows:

	Dec. 31, 2016	Dec. 31, 2015
Outstanding at the beginning of the period	0	8,000
Granted during the period	0	0
Forfeited during the period	0	0
Exercised during the period	0	-8,000
Expired in the period	0	0
Outstanding at the end of the period	0	0
Exercisable at the end of the period	0	0

The various stock option plans are summarized as follows:

Date the General Annual Shareholders' Meeting authorized the plan	Date on which the Board granted approval	Initial number of shares to be subscribed	Number of shares to be subscribed by directors and executives	Number of directors and executives concerned	Total number of beneficiaries	Subscription price in €	Number of shares subscribed over fiscal 2015	Number of options granted and exercisable on Dec. 31, 2015	Number of options subject to target performance as of Dec. 31, 2015	Number of beneficiaries of valid options
23.06.2000	23.07.2004	140,000	0	0	19	9.23	0	0	0	0
10.06.2005	15.09.2005	127,500	0	0	15	18.87	5,000	0	0	0
10.06.2006	10.11.2006	35,000	0	0	2	29.51	3,000	0	0	0
		302,500	0	0	36		8,000	0	0	0

Sartorius Stedim Biotech share purchase options were allocated to employees and directors of this subgroup. These plans have been inactive since 2006, and no new stock options have been issued since this time. In fiscal 2015, all stock options still outstanding were exercised.

32. Disclosures on a Discontinued Operation

The Intec business operation was sold at the beginning of fiscal 2015, and this division was accordingly deconsolidated as of February 1, 2015.

The earnings attributable to the shareholders of Sartorius AG for the division classified as a discontinued operation are as follows:

	2016 € in K	2015 € in K
Sales revenue	0	6,818
Expenses	0	-5,417
Other operating income and expenses	0	39,762
Earnings before interest and taxes (EBIT)	0	41,163
Financial result	0	315
Profit before tax	0	41,478
Income taxes	0	-636
Profit after tax from discontinued operation	0	40,841

Other Disclosures

The consolidated financial statements were prepared on a going-concern basis.

The exemptions options provided by § 264, Subsection 3, of the German Commercial Code (HGB) were applied to the annual financial statements reported by Sartorius Lab Holding GmbH, Sartorius Weighing Technology GmbH and Sartorius Corporate Administration GmbH, all based in Goettingen, Germany, for the year ended December 31, 2016.

The exemption options provided by § 264 b of the German Commercial Code (HGB) were used in the annual financial statements reported by SIV Weende GmbH & Co. KG, SIV Grone 1 GmbH & Co. KG and Sartorius Lab Instruments GmbH & Co. KG, all based in Goettingen, Germany, for the year ended December 31, 2016.

Material Events after the Reporting Date

No material events occurred up to the end of the preparation of these consolidated financial statements.

Declaration According to § 314, Subsec. 1, No. 8, of the German Commercial Code (HGB)

The declaration prescribed by § 161 of the German Stock Corporation Law (AktG) was submitted on December 8, 2015, and made available to the shareholders of Sartorius AG on the company's website "www.sartorius.com."

Members of the Supervisory Board and the Executive Board

The members of the Supervisory Board and the Executive Board are listed at the end of this section as are the further disclosures pursuant to § 285, No. 10, of the German Commercial Code (HGB).

Number of Employees

This table shows the average workforce employed during the fiscal year:

	2016	2015
Bioprocess Solutions	4,416	3,824
Lab Products & Services	2,313	2,117
Total	6,729	5,941

Auditors' Fee

In fiscal 2015 and 2016, the following fees were incurred by the Group for the auditors, KPMG AG:

	2016 € in K	2015 € in K
Audits	664	431
Tax consultation services	0	0
Sonstige Bestätigungsleistungen	13	0
Other services	5	0
	682	431

The fees for statutory audits include the audit review fee of €60 K (2015: €55 K) for the first-half financial report pursuant to § 37w of the German Securities Trading Act (WpHG), as well as other services directly prompted by the audit.

Related Companies and Persons

The Group companies included in the consolidated financial statements carry out business activities and transactions in related party relationships as defined by IAS 24. In particular, this concerns transactions with non-consolidated subsidiaries and are generally concluded according to the customary market terms. Details on the transactions completed in the reporting year and the balances outstanding on the reporting date are provided in the relevant sections of these Notes to the Financial Statements, specifically in Sections 9 and 19.

According to IAS 24, related persons are those who are responsible for planning, management and control of a reporting entity. In particular, such persons include the members of the Executive Board and of the Supervisory Board of Sartorius AG. In particular, such persons include the members of the Executive Board and of the Supervisory Board of Sartorius AG. In the reporting year, the total remuneration of the Supervisory Board members was €957 K (2015: €960 K); that of the Executive Board, €3,299 K (2015: €3,129 K). The remuneration of former managing directors and members of the Executive Board and their surviving dependents was €498 K (2015: €487 K). The pension obligations to former managing directors and members of the Executive Board and their surviving dependents totaled €7,485 K (2015: €7,468 K). For details on remuneration, please refer to the Remuneration Report, which is an integral part of the combined Group Management Report. Beyond their Supervisory Board remuneration, the employee representatives who are employees within the Sartorius Group receive compensation that is not related to their service on the Supervisory Board.

The total remuneration of the Executive Board members according to IFRS is shown in the following table:

	2016 € in K	2015 € in K
Short-term benefits (excl. share-based remuneration)	2,522	2,411
Post-employment benefits	393	364
Other long-term benefits	371	348
Share-based payments	406	3,098
Total remuneration	3,692	6,221

Partial payments on multi-year variable remuneration of the Executive Board members:

	2016 € in K	2015 € in K
Balance as of Jan. 1 of a fiscal year	311	302
Partial payments deducted	-146	-156
Partial payments effected	222	165
Balance as of Dec. 31 of a fiscal year	387	311

The total remuneration of the Supervisory Board members is as follows:

	2016 € in K	2015 € in K
Short-term benefits (excl. share-based remuneration)	957	960
Post-employment benefits	0	0
Other long-term benefits	0	0
Share-based payments	0	0
Total remuneration	957	960

Proposal for Appropriation of Profits

The Supervisory Board and the Executive Board will submit a proposal to the Annual Shareholders' Meeting to appropriate the retained profit of €191,039,728.39 reported by Sartorius AG for the year ended December 31, 2016, as follows:

	€
Payment of a dividend of €0.45 per ordinary share	15,395,500.80
Payment of a dividend of €0.46 per preference share	15,720,991.28
Unappropriated profit carried forward	159,923,236.31
	191,039,728.39

Goettingen, February 6, 2017

Sartorius Aktiengesellschaft

The Executive Board

Declaration of the Executive Board

We declare to the best of our knowledge that the consolidated financial statements for fiscal 2016 present a true and fair view of the actual net worth, financial situation and profitability of the Group in accordance with the accounting standards used in preparing these statements. We also certify that the progress of the Group's business, including its business performance and its situation, are represented accurately in the Group Management Report in all material respects and present the most important opportunities and risks of the Group's future development during the fiscal year.

Goettingen, February 6, 2017

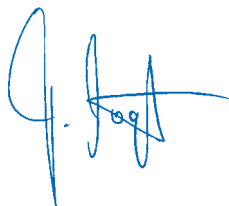
Sartorius Aktiengesellschaft
The Executive Board



Dr. Joachim Kreuzburg



Jörg Pfirrmann



Reinhard Vogt

Independent Auditors' Report

We audited the consolidated year-end financial statements, which consist of the consolidated statement of profit or loss along with the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes to the financial statements – as well as the combined management report – and which Sartorius Aktiengesellschaft, Germany, prepared for the fiscal year from January 1 through December 31, 2016. Preparation of the consolidated financial statements and the Group Management Report according to the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, and according to the commercial rules to be additionally applied in conformance with §315a, Subsection 1, of the German Commercial Code (HGB), is the responsibility of the Executive Board of the parent corporation, Sartorius Aktiengesellschaft. Our responsibility is to express an opinion on the consolidated financial statements and on the combined Group Management Report based on our audit.

We conducted our audit according to §317 HGB, taking into account the principles of proper auditing established by the German Institute of Independent Auditors, "Institut der Wirtschaftsprüfer" (IDW). These principles require that we plan and perform the audit to obtain reasonable assurance that there are no misrepresentations or infractions that have a material impact on the presentation of the net worth, financial position and earnings in the consolidated financial statements, in consideration of the accounting principles to be applied, or in the combined management report. In determining the audit focus, information on the business activities and the economic and legal background of the Group as well as expectations on possible errors are taken into account. Within the scope of the audit, the effectiveness of the accounting-related internal control system as well as evidence supporting the amounts and disclosures made in the consolidated financial statements and the combined management report are predominantly examined on a test basis.

This audit covers assessment of the annual financial statements of the companies included in the consolidated financial statements, definition of the scope of consolidation, the accounting and consolidation principles applied and the significant estimates made by the Executive Board as well as evaluation of the overall presentation of the consolidated year-end financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

According to our assessment based on the information we obtained during the audit, the consolidated financial statements of Sartorius Aktiengesellschaft, Goettingen, conform to the IFRS, as they are to be applied in the EU, and to the commercial rules to be additionally applied in compliance with §315a, Subsection 1, of HGB, and present fairly, in all material respects, the net worth, financial position and earnings of the Group. The combined management report is consistent with the consolidated financial statements, complies with the legal requirements, provides an overall true and fair view of the Group's situation, and accurately presents the opportunities and risks of its future development.

Hanover, Germany, February 6, 2017

KPMG AG

Wirtschaftsprüfungsgesellschaft

Leitz
Wirtschaftsprüfer

Thiele
Wirtschaftsprüfer

(German Public Auditor)

(German Public Auditor)

Executive Board and Supervisory Board

During Fiscal 2016

Executive Board

Dr. rer. pol. Joachim Kreuzburg

Dipl.-Ingenieur (Graduate Engineer)
CEO and Chairman
Corporate Strategy, Operations, Legal Affairs,
Compliance and Corporate Communications
Born April 22, 1965
Resident of Hanover, Germany
Member since November 11, 2002
"Sprecher" (Spokesman) from May 1, 2003,
to November 10, 2005
Chairman since November 11, 2005
Appointed until November 10, 2020

Jörg Pfirrmann

Dipl.-Ökonom (Graduate Economist)
Executive for Labor Relations
Finance, Human Resources, IT and General Administration
Born November 30, 1972
Resident of Goettingen, Germany
Member since July 24, 2009
Appointed until July 23, 2017

Reinhard Vogt

Industriekaufmann (Industrial Business Manager)
Marketing, Sales and Services
Born August 4, 1955
Resident of Dransfeld, Germany
Member since July 24, 2009
Appointed until July 23, 2019

Supervisory Board

All members of the Supervisory Board were elected for a term up to the end of the Annual Shareholders' Meeting in 2017, which will decide on their discharge for fiscal 2016.

Prof. Dr. Dres. h.c. Arnold Picot

Dipl.-Kaufmann (Graduate in Business Administration)
University professor
Chairman
Research Center for the Institute of Information, Organization and Management (IOM), Faculty of Economics, Ludwig-Maximilian University of Munich (LMU), Germany
Resident of Gauting, Germany

Manfred Zaffke

Dipl.-Volkswirt (Graduate Political Economist)
Vice Chairman
First Authorized Representative of the German Metalworkers' Union (IG Metall) in the southern Lower Saxony/Harz region in Northeim, Germany
Resident of Osterode am Harz, Germany

Dr. Dirk Basting

Dipl.-Chemiker (Graduate Chemical Engineer)
Resident of Fort Lauderdale, Florida, USA

Annette Becker

Personalfachkauffrau (HR Specialist)
Chairwoman of the Employees' Council of Sartorius Corporate Administration GmbH in Goettingen, Germany
Chairwoman of the Group Employees' Council of Sartorius AG in Goettingen, Germany
Resident of Goettingen, Germany

Uwe Bretthauer

Dipl.-Ingenieur (Graduate Engineer)
Chairman of the Employees' Council of Sartorius Lab Instruments GmbH & Co. KG in Goettingen, Germany
Resident of Goettingen, Germany

Michael Dohrmann

Feinmechaniker (Precision Engineer)
Chairman of the Employees' Council of Sartorius Stedim Biotech GmbH in Goettingen, Germany
Resident of Reinhausen, Germany

Dr. Lothar Kappich

Dipl.-Ökonom (Graduate Economist)
 Managing Director of
 ECE Projektmanagement GmbH & Co. KG
 in Hamburg, Germany
 Resident of Hamburg, Germany

Petra Kirchhoff

Dipl.-Volkswirtin (Graduate Political Economist)
 Vice President of Corporate Communications and
 Investor Relations
 Sartorius Corporate Administration GmbH in
 Goettingen, Germany
 Resident of Goettingen, Germany

Karoline Kleinschmidt

Dipl.-Sozialwirtin (Graduate Social Economist)
 Secretary of the German Metalworkers' Union (IG Metall)
 of the district management of Lower Saxony and
 Saxony-Anhalt in Hanover, Germany
 Resident of Hanover, Germany

Prof. Dr. Gerd Krieger

Rechtsanwalt (Lawyer)
 Honorary Professor at the Heinrich-Heine University
 in Duesseldorf, Germany
 Resident of Duesseldorf, Germany

Prof. Dr. Thomas Scheper

Dipl.-Chemiker (Graduate Chemical Engineer)
 University professor and head of the Institute of
 Technical Chemistry,
 Gottfried Wilhelm Leibnitz University in Hanover,
 Germany
 Resident of Hanover, Germany

Prof. Dr. Klaus Rüdiger Trützschler

Dipl.-Wirtschaftsmathematiker (Graduate Business
 Mathematician) and Dipl.-Mathematiker
 (Graduate Mathematician)
 Resident of Essen, Germany

Committees of the Supervisory Board**Executive Task Committee**

Prof. Dr. Dres. h.c. Arnold Picot (Chairman)
 Manfred Zaffke
 Uwe Bretthauer
 Prof. Dr. Gerd Krieger

Audit Committee

Prof. Dr. Klaus Rüdiger Trützschler (Chairman)
 Manfred Zaffke
 Uwe Bretthauer
 Prof. Dr. Dres. h.c. Arnold Picot

Conciliation Committee

Prof. Dr. Dres. h.c. Arnold Picot (Chairman)
 Manfred Zaffke
 Uwe Bretthauer
 Prof. Dr. Gerd Krieger

Nomination Committee

Prof. Dr. Gerd Krieger
 Prof. Dr. Dres. h.c. Arnold Picot
 Dr. Lothar Kappich

Positions Held by the Members of the Executive Board as of December 31, 2016

Dr. rer. pol. Joachim Kreuzburg

Positions held within the Group:

Président-Directeur Général (CEO) of:

– Sartorius Stedim Biotech S.A., France

On the Supervisory Board of:

– Sartorius Stedim Biotech GmbH, Germany,
Vice Chairman

On the Board of Directors of:

– Sartorius North America, Inc., USA

– Sartorius Stedim North America, Inc., USA

– IntelliCyt Corporation, USA

– Sartorius Stedim Filters, Inc., Puerto Rico

– Sartorius Stedim Japan K.K., Japan

– Denver Instrument (Beijing) Co. Ltd., China

– Sartorius Stedim Lab Ltd., UK

– Sartorius Stedim BioOutsource Ltd., UK

On the Comité Exécutif (Executive Committee) of:

– Sartorius Stedim FMT S.A.S., France

External Positions:

On the Supervisory Board of:

– Carl Zeiss AG, Germany

On the Beirat (Advisory Board) of:

– Otto Bock Holding GmbH & Co. KG, Germany,
Chairman

On the Regionalbeirat (Regional Advisory Board) of:

– Commerzbank AG, Germany

On the Wirtschaftsbeirat (Economic Advisory Board) of:

– Norddeutsche Landesbank, Germany

Jörg Pfirrmann

Positions held within the Group:

On the Board of Directors of:

– Sartorius Ireland Ltd., Ireland

– Sartorius Stedim Ireland Ltd., Ireland

– Sartorius Corporation, USA

– Sartorius Canada Inc., Canada

– Sartorius UK Ltd., UK

– Sartorius Stedim UK Ltd., UK

– Sartorius (Shanghai) Trading Co., Ltd., China

– Sartorius Stedim (Shanghai) Trading Co., Ltd., China

On the Comité Exécutif (Executive Committee) of:

– Sartorius Stedim France S.A.S., France

– Sartorius France S.A.S., France

On the Consiglio di Amministrazione

(Board of Management) of:

– Sartorius Italy S.r.l., Italy

– Sartorius Stedim Italy S.r.l., Italy

On the Consejo de Administración (Board of Directors) of:

– Sartorius Spain S.A., Spain

External Positions:

On the Unternehmerbeirat (Employers' Advisory Board) of:

– Gothaer Versicherungsbank VVaG, Germany

Reinhard Vogt

Positions held within the Group:

On the Conseil d'Administration (Board of Directors) of:

– Sartorius Stedim Biotech S.A., France until
31.12.2016

On the Board of Directors of:

– TAP Biosystems Group Ltd., UK

– The Automation Partnership (Cambridge) Ltd., UK

– Sartorius Stedim BioOutsource Ltd., UK

– Sartorius North America, Inc., USA

– Sartorius Stedim North America, Inc., USA

– Sartorius (Shanghai) Trading Co., Ltd., China

– Sartorius Stedim (Shanghai) Trading Co., Ltd., China

– Sartorius Stedim Japan K.K., Japan

– Sartorius Korea Ltd., South Korea

– Sartorius Stedim Australia Pty. Ltd., Australia

On the Management Board of:

– AllPure Technologies, LLC, USA

On the Verwaltungsrat (Administrative Board) of:

– Sartorius Stedim Switzerland AG, Switzerland,
Chairman

External Positions: None

Positions Held by the Members of the Supervisory Board as of December 31, 2016

Prof. Dr. Dres. h.c. Arnold Picot

Positions held within the Group:

On the Conseil d'Administration (Board of Directors) of:

– Sartorius Stedim Biotech S.A., France

On the Supervisory Board of:

– Sartorius Stedim Biotech GmbH, Germany, Chairman

External Positions:

On the Supervisory Board of:

– Takkt AG, Germany

– WIK Wissenschaftliches Institut für Infrastruktur und Kommunikationsdienste GmbH (Scientific Institute for Communication Services), Germany

– WIK-Consult GmbH, Germany

Manfred Zaffke

Positions held within the Group:

None

External Positions:

On the Supervisory Board of:

– Terex MHPS GmbH, Germany

– GMH GUSS GmbH, Germany, Vice Chairman

Dr. Dirk Basting

None

Annette Becker

None

Uwe Bretthauer

None

Michael Dohrmann

None

Dr. Lothar Kappich

None

Petra Kirchhoff

Positions held within the Group:

None

External Positions:

On the Supervisory Board of:

– AWO Goettingen gGmbH, Germany

On the Foundation's Board of Directors of:

– SüdniedersachsenStiftung, Germany

Stock Exchange Council (Börsenrat) of the:

– Hanover Stock Exchange of Lower Saxony (Niedersächsische Börse zu Hannover), Germany

Karoline Kleinschmidt

None

Prof. Dr. Gerd Krieger

Positions held within the Group:

None

External Positions:

On the Supervisory Board of:

– ARAG Lebensversicherungs-AG, Germany

– ARAG Krankenversicherungs-AG, Germany

Prof. Dr. Thomas Scheper

None

Prof. Dr. Klaus Rüdiger Trützschler

Positions held within the Group:

None

External Positions:

On the Supervisory Board of:

– Deutsche Bank AG, Germany

– Wuppermann AG, Germany, Chairman

– Zwiesel Kristallglas AG, Germany, Chairman

On the Verwaltungsrat (Administrative Board) of:

– Wilh. Werhahn KG, Germany

Supplementary Information

05

Glossary

Industrial | Product-specific Terms

Bags, single-use

Plastic disposable bag used in bioreactors and for storing liquids, such as culture media, intermediate products and biopharmaceuticals

Bioreactor

In English-speaking countries, a bioreactor is a vessel used for cultivating animal or human cells in a culture medium. In non-English-speaking countries, the term bioreactor is also used synonymously with the term fermentor to denote a system used to multiply microorganisms. In either case, the vessel is used to obtain cells, parts of these or one of their metabolites.

Disposable

Used synonymously with "single-use"

Downstream processing

Collective term for the various steps that follow fermentation or cell cultivation (upstream processing) in the production of biopharmaceuticals; for example, separation, purification and concentration

FDA - Food and Drug Administration

U.S. regulatory agency responsible for ensuring the safety and efficacy of human and veterinary pharmaceuticals, biological products, medical devices and foods

Fermentation

Technical process used to produce or transform intra- or extra-cellular substances with the help of microorganisms

Fluid management technologies

Technologies and systems for the transportation and storage of biological liquids

Membrane chromatography

Selective separation of mixtures of substances by adsorption to specifically modified membranes (membrane adsorbers) in a flowing system

Membrane (filter)

Thin film or foil made of polymers; because of the porous structure, this film is suitable for filtration applications.

Monoclonal antibodies

Synthetic antibodies used, in particular, in the treatment of cancer, HIV and autoimmune diseases.

PAT - Process Analytical Technology

A strategy for the design, analysis and control of manufacturing processes according to which quality characteristics of intermediate or finished products are defined and then analyzed and monitored using the critical process parameters identified

Purification

An important step in downstream processing

Recombinant proteins

Proteins manufactured using genetically modified organisms that are used in the production of therapeutic proteins, such as insulin and vaccines

Scale-up

Transfer of scale or increase in size. Used to denote the progression of a process that increases in a range from lab scale to pilot scale to process scale, while retaining the same technology, materials of construction and geometries throughout

Single-use | Reusable product

Disposable product, i.e., for one-time usage. A reusable product is designed for repeated use.

Upstream processing

In the manufacture of biopharmaceuticals, designates the various steps that take place for seeding and propagating cells that produce an active pharmaceutical ingredient

Validation

Documented verification that systems, devices and processes reproducibly deliver the desired result

Business | Economic Terms**Amortization**

Amortization relates exclusively to potential reductions in the value of goodwill and the allocation of the purchase price to intangible assets acquired as carried out in accordance with IFRS 3

Cash flow

The flow of funds or financial resources that are earned through day-to-day business activities; the amount of cash earned after paying all expenses and taxes; in other words, the cash balance of inflows and outflows of funds

Compliance

Observance of applicable laws, codes and other relevant rules and regulations

DAX®, TecDAX®

German stock indexes of the transaction service provider and marketplace organizer Deutsche Börse AG

D&O insurance

Directors' and Officers' liability insurance that covers Supervisory and Executive Board members and managerial employees

DVFA | SG

The Methods Commission of the Society of Investment Professionals in Germany (DFVA e.V.) – also commonly referred to as the German association for financial analysis and asset management – and the Schmalenbach-Gesellschaft (SG), one of the leading scientific societies in the area of business administration and financial reporting

EBITDA

Earnings before interest, taxes, depreciation and amortization; in this context, amortization refers exclusively to the purchase price allocation (PPA) to intangible assets acquired according to IFRS 3.

EBITDA margin

The ratio of EBITDA (earnings before interest, taxes, depreciation and amortization) to sales revenue

Equity ratio

The ratio of equity to the balance sheet total

ERP

Stands for "Enterprise Resource Planning"; IT-based resource planning system

Extraordinary items

Exceptional or one-time expenses and income, such as acquisition costs, restructuring costs and other non-operating expenses.

Fixed assets

The sum of intangible assets, property, plant and equipment and financial assets

Free float

Proportion of a public company's shares that are freely available to the investing public (by definition at least 5%)

Goodwill

The difference between the price paid for a company or business and its net assets; a form of intangible asset

Holding company

A parent company that exists for the purpose of owning a controlling interest or shares in several legally independent subsidiaries that are subordinate to the parent company within the organizational hierarchy; this holding company conducts its business exclusively through these subsidiaries.

Market capitalization

The total number of shares outstanding of both classes issued by the company, multiplied by the corresponding share price

Normalized financial result

Financial result excluding fair value adjustments of hedging instruments, as well as excluding non-periodic expenses and income.

Normalized income tax

Underlying income tax, based on underlying profit before tax and on non-cash amortization.

Prime Standard

Market segment of the Frankfurt Stock Exchange with high, internationally accepted transparency requirements; this segment is intended to meet the needs of companies seeking to attract the attention of international investors.

Supply chain management

Setup and coordination of integrated flows of materials, information and finances (supply chains) over the entire value-added process

Treasury

Short- and medium-term liquidity management

Underlying

Adjusted to eliminate extraordinary items (see definition)

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A Local Presence Worldwide



- Sales
- Production | Production and Sales

Europe | Africa

- | | |
|-------------------|---------------------------|
| Dublin, Ireland | Kajaani, Finland |
| Royston, UK | Helsinki, Finland |
| Stonehouse, UK | St. Petersburg, Russia |
| Epsom, UK | Goettingen, Germany |
| Glasgow, UK | Guxhagen, Germany |
| Brussels, Belgium | Laupheim, Germany |
| Dourdan, France | Poznań, Poland |
| Aubagne, France | Budapest, Hungary |
| Lourdes, France | Vienna, Austria |
| Florence, Italy | Tagelswangen, Switzerland |
| Milan, Italy | Mohamdia, Tunisia |
| Madrid, Spain | |
| Barcelona, Spain | |

Asia | Pacific

- Beijing, China
- Suzhou, China
- Shanghai, China
- Hong Kong, China
- Seoul, South Korea
- Tokyo, Japan
- Hanoi, Vietnam
- Bangkok, Thailand
- Bangalore, India
- Kuala Lumpur, Malaysia
- Singapore, Singapore
- Melbourne, Australia



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Financial Schedule

Annual Shareholders' Meeting in Goettingen, Germany	April 6, 2017
Payment of dividends ¹⁾	April 11, 2017
Publication of first-quarter figures for 2017	April 24, 2017
Publication of first-half figures for 2017	July 25, 2017
Publication of nine-month figures for 2017	October 24, 2017
German Equity Forum in Frankfurt Main, Germany	November 28, 2017
Publication of preliminary figures for fiscal 2017	January 2018
Annual press conference in Goettingen, Germany	February 2018
Annual Shareholders' Meeting in Goettingen, Germany	April 5, 2018
Publication of first-quarter figures for 2018	April 2018

¹⁾ Subject to approval by the Annual Shareholders' Meeting

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About This Publication

Published by
Sartorius AG
Corporate Communications
37070 Goettingen, Germany

Editorial Deadline
February 21, 2017

Published on
February 23, 2017

Financial Reporting System firesys
firesys GmbH
Frankfurt | Main, Germany

Photography
Peter Ginter
Lohmar, Germany

Frank Stefan Kimmel
Goettingen, Germany

This is a translation of the original
German-language annual report.

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