# Consolidated Financial Statements and Notes

04

# Statement of Profit or Loss and Other Comprehensive Income

| € in K | Notes | **2020 12 months** | 2019 12 months |
|---|---|---|---|
| Sales revenue | [9] | 1,910,081 | 1,440,570 |
| Cost of sales | [10] | –907,351 | –692,283 |
| **Gross profit on sales** | | **1,002,731** | **748,287** |
| Selling and distribution costs | [10] | –296,050 | –240,657 |
| Research and development costs | [10] | –84,451 | –79,216 |
| General administrative expenses | [10] | –95,491 | –76,224 |
| Other operating income and expenses | [11] | –54,931 | –20,348 |
| **Earnings before interest and taxes (EBIT)** | | **471,807** | **331,842** |
| Financial income | [12] | 48,857 | 6,867 |
| Financial expenses | [12] | –38,034 | –21,290 |
| **Financial result** | | **10,823** | **–14,423** |
| **Profit before tax** | | **482,630** | **317,419** |
| Income taxes | [13] | –122,114 | –81,383 |
| **Net profit for the period** | | **360,516** | **236,036** |
| Attributable to: | | | |
| Equity holders of Sartorius Stedim Biotech | | 357,849 | 234,501 |
| Non-controlling interest | [22] | 2,666 | 1,535 |
| | | | |
| Earnings per share (€) | [15] | 3.88 | 2.54 |
| Diluted earnings per share (€) | [15] | 3.88 | 2.54 |

The figures for the reporting period 2019 were restated due to the finalization of the purchase price allocation for the acquisition of Biological Industries (see note 8).

# Other Comprehensive Income

| € in K | Notes | **2020 12 months** | 2019 12 months |
|---|---|---|---|
| Net profit for the period | | 360,516 | 236,036 |
| Cash flow hedges | [36] | 9,195 | −3,159 |
| of which effective portion of changes in fair value | | 2,684 | −5,580 |
| of which reclassified to profit or loss | | 6,511 | 2,421 |
| Income tax on cash flow hedges | [19] | −2,759 | 948 |
| Foreign currency translation differences | | −35,265 | 9,136 |
| **Items that are or may be reclassified subsequently to profit or loss** | | **−28,829** | **6,925** |
| Remeasurements of the net defined benefit liabilities | [23] | −3,016 | −7,906 |
| Income tax on remeasurements of the net defined benefits liabilities | [19] | 918 | 2,284 |
| **Items that will not be reclassified to profit or loss** | | **−2,098** | **−5,622** |
| **Other comprehensive income after tax** | | **−30,927** | **1,303** |
| **Total comprehensive income** | | **329,589** | **237,339** |
| | | | |
| Attributable to: | | | |
| Equity holders of Sartorius Stedim Biotech | | 327,377 | 235,874 |
| Non-controlling interest | | 2,211 | 1,465 |

The figures for the reporting period 2019 were restated due to the finalization of the purchase price allocation for the acquisition of Biological Industries (see note 8).

# Statement of Financial Position

| € in K | Notes | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | [16] | 875,162 | 418,327 |
| Other Intangible Assets | [16] | 633,521 | 208,487 |
| Property, plant and equipment | [17][18] | 643,951 | 549,965 |
| Financial Assets | | 13,497 | 14,427 |
| Other Assets | | 509 | 586 |
| Deferred tax assets | [19] | 27,481 | 17,342 |
| | | **2,194,120** | **1,209,134** |
| **Current assets** | | | |
| Inventories | [20] | 472,305 | 329,019 |
| Trade receivables | [28] | 256,894 | 221,250 |
| Other financial assets | [29] | 20,983 | 20,045 |
| Current tax assets | | 6,055 | 10,966 |
| Other assets | | 59,217 | 26,784 |
| Cash and cash equivalents | [27] | 59,762 | 28,166 |
| | | **875,216** | **636,229** |
| **Total assets** | | **3,069,336** | **1,845,362** |
| | | | |
| **Equity** | | | |
| **Equity attributable to SSB S.A. shareholders** | | **1,460,041** | **1,158,719** |
| Issued capital | [21] | 18,436 | 18,436 |
| Capital reserves | | 231,526 | 231,526 |
| Retained earnings (including net profit) | | 1,210,079 | 908,757 |
| **Non-controlling interest** | **[22]** | **22,876** | **30,164** |
| | | **1,482,917** | **1,188,883** |
| **Non-current liabilities** | | | |
| Pension provisions | [23] | 47,393 | 44,123 |
| Other provisions | [24] | 6,488 | 3,340 |
| Loans and borrowings | [30] | 515,657 | 40,000 |
| Lease liabilities | [18] | 47,288 | 44,069 |
| Other financial liabilities | [31] | 303,319 | 51,521 |
| Deferred tax liabilities | [19] | 98,581 | 45,065 |
| | | **1,018,726** | **228,117** |
| **Current liabilities** | | | |
| Provisions | [24] | 20,746 | 10,612 |
| Trade payables | [32] | 306,972 | 197,670 |
| Loans and borrowings | [30] | 13,112 | 43,544 |
| Lease liabilities | [18] | 10,727 | 10,987 |
| Other financial liabilities | [33] | 29,241 | 40,680 |
| Employee benefits | | 59,899 | 40,634 |
| Current tax liabilities | | 71,524 | 49,252 |
| Other liabilities | | 55,472 | 34,983 |
| | | **567,693** | **428,363** |
| **Total equity and liabilities** | | **3,069,336** | **1,845,362** |

The figures for the reporting period 2019 were restated due to the finalization of the purchase price allocation for the acquisition of Biological Industries (see note 8).

# Statement of Cash Flows

| € in K | Notes | 2020<br>12 months | 2019<br>12 months |
|---|---|---|---|
| Profit before tax | | 482,630 | 317,419 |
| Financial result | [12] | −10,823 | 14,423 |
| Depreciation \| amortization of fixed assets | [16][17][18] | 102,282 | 73,368 |
| Gains from the disposal of fixed assets | | 127 | 0 |
| Change in provisions | [23][24] | 3,447 | −3,548 |
| Change in receivables and other assets | [28][29] | −73,889 | 3,841 |
| Change in inventories | [20] | −117,305 | −65,964 |
| Change in liabilities (excl. loans and borrowings) | [31][32][33] | 143,463 | 35,483 |
| Income taxes paid | [13] | −113,980 | −65,328 |
| Other non-cash items | | 926 | 436 |
| **Cash flow from operating activities** | | **416,879** | **310,130** |
| Capital expenditures | [16][17] | −159,192 | −135,973 |
| Other payments | | 8,694 | 0 |
| **Cash flow from investing activities** | | **−150,499** | **−135,974** |
| Payments for acquisitions of consolidated subsidiaries and other business operations; net of cash acquired | [8] | −470,617 | −48,399 |
| **Cash flow from investing activities and acquisitions** | | **−621,116** | **−184,373** |
| Interest received | [12] | 5,271 | 1,699 |
| Interest paid and other financial charges | [12] | −8,064 | −10,528 |
| Dividends paid to: | | | |
| - Shareholders of Sartorius Stedim Biotech SA | [21] | −31,341 | −52,543 |
| - Non-controlling interest | | −792 | −950 |
| Changes in non-controlling interest | [22] | −30,473 | 0 |
| Loans and borrowings repaid | [6][30] | −35,322 | −60,489 |
| Loans and borrowings raised | [6][30] | 334,788 | 651 |
| **Cash flow from financing activities** | | **234,066** | **−122,160** |
| Net increase \| decrease in cash and cash equivalents | | 29,829 | 3,597 |
| Cash and cash equivalents at the beginning of the period | | 28,166 | 23,975 |
| Currency translation effects on cash and cash equivalents | | 1,767 | 593 |
| **Cash and cash equivalents at the end of the period** | | **59,762** | **28,166** |

The figures for the reporting period 2019 were restated due to the finalization of the purchase price allocation for the acquisition of Biological Industries (see note 8).

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

# Statement of Changes in Equity

| € in K | Issued capital | Capital reserves | Hedging reserves | Pension reserves | Retained earnings | Foreign currency translation reserves | Group equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at Jan. 1, 2019** | **18,436** | **231,526** | **3,365** | **–10,860** | **778,448** | **15,483** | **1,036,398** | **8,476** | **1,044,874** |
| Net profit for the period | 0 | 0 | 0 | 0 | 234,501 | 0 | 234,501 | 1,535 | 236,036 |
| Cash flow hedges | 0 | 0 | –3,159 | 0 | 0 | 0 | –3,159 | 0 | –3,159 |
| Remeasurements of the net defined benefit liabilities | 0 | 0 | 0 | –7,906 | 0 | 0 | –7,906 | 0 | –7,906 |
| Foreign currency translation differences | 0 | 0 | 0 | 0 | 0 | 9,206 | 9,206 | –70 | 9,136 |
| Net investment in a foreign operation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred taxes | 0 | 0 | 948 | 2,284 | 0 | 0 | 3,232 | 0 | 3,232 |
| **Other comprehensive income for the period** | **0** | **0** | **–2,211** | **–5,622** | **0** | **9,206** | **1,373** | **–70** | **1,303** |
| **Total comprehensive income** | **0** | **0** | **–2,211** | **–5,622** | **234,501** | **9,206** | **235,874** | **1,465** | **237,339** |
| Dividends | 0 | 0 | 0 | 0 | –52,543 | 0 | –52,543 | –950 | –53,493 |
| Purchase price liability Israel | | | | | –61,010 | | –61,010 | 0 | –61,010 |
| Changes in non-controlling interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21,295 | 21,295 |
| Other changes | | 0 | 0 | 0 | 0 | 0 | 0 | –122 | –122 |
| **Balance at Dec. 31, 2019** | **18,436** | **231,526** | **1,154** | **–16,482** | **899,396** | **24,689** | **1,158,719** | **30,164** | **1,188,883** |
| Net profit for the period | 0 | 0 | 0 | 0 | 357,849 | 0 | 357,849 | 2,666 | 360,516 |
| Cash flow hedges | 0 | 0 | 9,195 | 0 | 0 | 0 | 9,195 | 0 | 9,195 |
| Remeasurements of the net defined benefit liabilities | 0 | 0 | 0 | –3,016 | 0 | 0 | –3,016 | 0 | –3,016 |
| Foreign currency translation differences | 0 | 0 | 0 | 0 | 0 | –34,810 | –34,810 | –455 | –35,265 |
| Net investment in a foreign operation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Deferred taxes | 0 | 0 | −2,759 | 918 | 0 | 0 | −1,841 | 0 | −1,841 |
| **Other comprehensive income for the period** | **0** | **0** | **6,436** | **−2,098** | **0** | **−34,810** | **−30,472** | **−455** | **−30,927** |
| **Total comprehensive income** | **0** | **0** | **6,436** | **−2,098** | **357,849** | **−34,810** | **327,377** | **2,211** | **329,588** |
| Dividends | 0 | 0 | 0 | 0 | −31,341 | 0 | −31,341 | −792 | −32,133 |
| Purchase price liability Israel | | | | | 19,800 | | 19,800 | 0 | 19,800 |
| Changes in non-controlling interest | 0 | 0 | 0 | 0 | −14,732 | 0 | −14,732 | −8,603 | −23,334 |
| Other changes | 0 | 0 | 0 | 0 | 218 | 0 | 218 | −104 | 114 |
| **Balance at December 31, 2020** | **18,436** | **231,526** | **7,590** | **−18,580** | **1,231,190** | **−10,121** | **1,460,041** | **22,876** | **1,482,917** |

The figures for the reporting period 2019 were restated due to the finalization of the purchase price allocation for the acquisition of Biological Industries (see note 8).

# Notes to the Financial Statements

## 1. General Information

Sartorius Stedim Biotech is a leading international partner of the biopharmaceutical industry. As a total solutions provider, the Group helps its customers to manufacture biotech medications safely, rapidly and economically. With its own manufacturing and R&D sites in Europe, North America and Asia and an international network of sales companies, Sartorius Stedim Biotech has a global reach.

Headquartered in Aubagne, France, Sartorius Stedim Biotech S.A. is listed on the Euronext Paris (ISIN code: FR0013154002).

Sartorius Stedim Biotech S.A.'s ultimate parent company is Sartorius AG, headquartered in Goettingen, Germany, and listed at several German stock exchanges (ISIN codes: DE0007165607 for ordinary shares, DE0007165631 for preference shares).

In compliance with the European Regulation 1606/2002 of July 19, 2002, which requires listed companies to use International Accounting Standards, the consolidated financial statements of the Sartorius Stedim Biotech Group for the year ended December 31, 2020, are compliant with the Standards and Interpretations IFRS and IFRIC of the IASB as adopted by the European Union, which are available at the following website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_fr

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 sum of the figures given in this report may not precisely equal the stated totals and percentages may not be exact due to rounding.

These consolidated financial statements were approved by the Board of Directors on February 5, 2021 and will be submitted for approval by the Shareholders' Meeting on March 24, 2021.

## 2. Effects of New Financial Reporting Standards

The following new accounting rules were applicable for the first time to the present consolidated financial statements of the Group but did not have a material effect on these financial statements:

- Amendments to IFRS 3, Business Combinations, Definition of a Business

The amendments change the definition of a business. The new guidance includes especially an optional so-called concentration test. If this test indicates that a group of assets has been acquired rather than a business, no further assessment regarding the potential acquisition of a business is necessary. Furthermore, the new guidance requires as a minimum one substantive process to be present in order to conclude that a business has been acquired.

- Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

The changes to IAS 1 and IAS 8 clarify the definition of "material" and align the various definitions used across the standards and the Conceptual Framework.

- Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures, Interest Rate Benchmark Reform (Phase 1)

The amendments to IFRS 9 and IAS 39 were made due to the reform of reference interest rates (replacement of existing reference interest rates by alternatives) and should address the questions and consequences in the context of hedge accounting. IFRS 7 has been amended with regard to additional disclosure requirements concerning the uncertainty in relation to the so-called IBOR reform.

- Amendments to the Conceptual Framework for Financial Reporting in various IFRSs

In the course of the revision of the Conceptual Framework, references to the Conceptual Framework in various IFRSs were amended as well. These amendments were applicable in the reporting period for the first time.

- Amendment to IFRS 16, Leases, regarding COVID-19-related rent concessions

The amendment allows lessees to use an exemption from assessing whether a COVID-19-related debt concession needs to be considered as a lease modification under IFRS 16. This relief is applicable to lease payments which were originally due by June 30, 2021. The rent concession therefore does not have to be accounted for as a lease modification.

The following standards, interpretations and amendments 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 mandatory for 2020:

| 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 4 | Deferral of IFRS 9 | January 1, 2021 | Yes |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform - Phase 2 | January 1, 2021 | No |
| Amendments to IFRS 3, IAS 16 and IAS 37 | Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020) | January 1, 2022 | No |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-Current | January 1, 2023 | No |
| IFRS 17 | Insurance Contracts | January 1, 2023 | 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 These are required to be applied once they are endorsed by the EU Commission. The dates mentioned above are those required by the standard themselves (IASB effective dates).

# 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 carried at fair value, such as derivative financial instruments.

### Consolidation

The consolidated financial statements of the Sartorius Stedim Biotech Group include the annual financial statements of all companies, which are controlled directly or indirectly by Sartorius Stedim Biotech S.A. Under IFRS 10, Consolidated Financial Statements, the Group Sartorius Stedim Biotech controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Such entities are included in the consolidated financial statements from the time when Sartorius Stedim Biotech S.A. or its subsidiaries obtain such control until the date on which control ceases.

Subsidiaries have been 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 on consolidation.

### Business Combinations

Business combinations are accounted for applying the acquisition method. The identifiable assets acquired and liabilities assumed are generally recognized at fair value on the date of acquisition.

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

The Group determines goodwill at the acquisition date as:

- the fair value of the consideration transferred; and
- the amount recognized for any non-controlling interest in the acquiree; and
- if the business combination is carried out in stages, the fair value of any previously held equity interest in the acquiree; less
- the net recognized amount for the identifiable assets acquired and liabilities assumed.

When the difference is negative, the purchase gain is recognized immediately in income. Expenses directly related to business combinations are recorded in the profit or loss as incurred.

### Foreign Currency Transactions

The presentation currency of the consolidated financial statements of the Sartorius Stedim Biotech Group is the euro (financial statements presented in thousands of euros). In the financial statements of each company, transactions denominated in foreign currencies have been translated into the functional currency of the subsidiary at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency have been translated at the exchange rate on the balance sheet date. Exchange rate gains and losses have been recognized in profit or loss for the period.

### Translation of financial statements prepared in foreign currencies

Subsidiaries' 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 have been regarded as independent subdivisions of the Sartorius Stedim Biotech Group. The assets (including goodwill) and liabilities of the entities that have a functional currency different from the presentation currency are translated at the exchange rate prevailing at the balance sheet date. The incomes, expenses, and cash flows of these entities have been translated using the average rate for the year, to the extent that this rate represents an approximate value of exchange rates used as of the date of the transaction in the absence of significant fluctuations. Resulting translation differences are recognized in other comprehensive income.

For long-term loans for which settlement is neither planned nor likely in the foreseeable future, the Group applies the principle of "net investment in a foreign operation." Exchange differences resulting from these loans are recognized in other comprehensive income in accordance with IAS 21.32.

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

| | Year-end exchange rates | | Average exchange rates | |
|---|---|---|---|---|
| For 1 € | **2020** | 2019 | **2020** | 2019 |
| USD | 1.22785 | 1.12340 | 1.14196 | 1.11956 |
| GBP | 0.89808 | 0.85080 | 0.88951 | 0.87787 |
| JPY | 126.52000 | 121.94000 | 121.80849 | 122.01949 |
| CHF | 1.08198 | 1.08540 | 1.07042 | 1.11255 |
| SGD | 1.62260 | 1.51110 | 1.57408 | 1.52746 |
| KRW | 1334.08000 | 1296.28000 | 1345.63574 | 1305.50569 |
| CNY | 8.03140 | 7.82050 | 7.87300 | 7.73613 |

# 4. Use of Judgments and Estimates

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

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

Assumptions and estimates primarily concern the following topics:

### COVID-19 pandemic crisis

In 2020, the Group achieved substantial revenue growth and observed strong demand across all product categories in line with the assumption that our industry and our customers are not seriously impacted by the COVID-19 pandemic crisis. Furthermore, the Group did not experience major difficulties on the supply side so that business continuity has been ensured. For the 2020 reporting period, it can therefore be concluded that the Group has benefitted to some extent from the crisis as many of our customers built up production capacities for coronavirus vaccines and Covid-19 therapeutics. Therefore, no material adjustments were made to the relevant accounting estimates in the reporting period. Management has observed, however, that the general uncertainty has increased as a result of the COVID-19 pandemic crisis. For further information about the impact of the COVID-19 pandemic on the global economy, the biopharma industry and the Group, please refer to the Group Management Report 2020.

### Business Combinations

The accounting for business combinations requires that the consideration transferred as well as the assets acquired and liabilities assumed be measured at their respective fair values on the acquisition date. The application of the acquisition method requires estimates and assumptions to be made, especially concerning the fair values of the acquired intangible assets, property, plant, and equipment and the liabilities assumed at the acquisition date, and the useful lives of the acquired intangible assets and property, plant, and equipment.

These measurements are based to a large extent on anticipated cash flows. If actual cash flows vary from those used in calculating fair values, this may materially affect the Group's future results of operations.

### Impairment of Assets

The book values (carrying amounts) of property, plant and equipment and intangible assets are subject to impairment testing if there is an indication of impairment and at least once a year for assets with an indefinite useful life or not yet available for use in accordance with IAS 36, Impairment of Assets. When an asset is tested, the recoverable amount of the asset is estimated. The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of its fair value – less costs to sell the asset or CGU – and its value in use. If the individual asset's recoverable amount cannot be estimated, the recoverable amount of the asset's CGU is estimated.

If the estimated recoverable amount of an asset (or a CGU) goes below its book value (carrying amount), this carrying amount is reduced to the recoverable amount (impairment loss allocated in priority to goodwill).

If the causes of the asset impairment no longer apply, the book value of the asset (or the CGU) is increased 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 had been recognized in previous fiscal years.

The calculation of the value in use is generally based on discounted cash flow methods using cash flow projections up to five years. These projections take into account past experience and represent management's best estimate 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 the amount of any impairment.

### Intangible Assets

The capitalization of internally-generated intangible assets also includes a significant level of judgment, e.g. the assessment of the feasibility of a development project, the expected market prospects and the determination of useful lives.

### Employee Benefits - Pension Provisions

Obligations for pension 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 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 and other post-employment benefit obligations.

Such differences are recognized in other comprehensive income in the period in which they occur. For a sensitivity analysis, see note 23, Pension and Employee Benefits Provisions.

### Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for legal or constructive obligations that exist as of the balance sheet date. To determine the amount of the obligations, certain estimates and assumptions have to be applied, including the determination of the probability and the amount of future outflows of resources. Typically, significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations and legal proceedings.

### Income Taxes

The Group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations. 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, the corresponding amount is not recognized as an asset.

### Fair Value Measurement

A number of the Group's accounting policies and disclosures may 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 financial reporting 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 Members of the Board of Directors) and discrete financial information is available in its internal reporting. Internal control and reporting within Sartorius Stedim Biotech is based on the approach of operating as a "total solution provider" for its customers. Accordingly, there is only one single segment to be identified for Sartorius Stedim Biotech, driven by the product and customer perspective: Biopharm.

The key performance indicator of the operating segment of the Sartorius Stedim Biotech Group is the so-called "underlying EBITDA", as the Board monitors this performance measure at a consolidated level and believes this measure is relevant to an understanding of the Group's financial performance.

EBITDA corresponds to earnings before interest, taxes, depreciation, and amortization; "underlying EBITDA" means EBITDA adjusted for extraordinary items. Extraordinary items are expenses and income in connection with acquisitions, restructuring activities, large Group projects and gains or losses from the disposal of fixed assets and investments which distort the sustainable profitability of the segment.

Underlying EBITDA is not a defined performance measure in IFRS. The Group's definition of underlying EBITDA may not be comparable to similarly named performance measures and disclosures by other entities.

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.

| | | | Biopharm | | | Group |
|---|---|---|---|---|---|---|
| € in K | **2020** | 2019 | Change | **2020** | 2019 | Change |
| Sales revenue | 1,910,081 | 1,440,570 | 33% | 1,910,081 | 1,440,570 | 33% |
| Underlying EBITDA | 604,671 | 421,501 | 43% | 604,671 | 421,501 | 43% |
| as a % of sales revenue | 31.7% | 29.3% | | 31.7% | 29.3% | |
| EBIT | 471,807 | 331,842 | 42% | 471,807 | 331,842 | 42% |
| as a % of sales revenue | 24.7% | 23.0% | | 24.7% | 23.0% | |

### Reconciliation of Segment Profit or Loss:

| € in K | **2020** | 2019 |
|---|---|---|
| Underlying EBITDA of the segment | 604,671 | 421,501 |
| Depreciation and amortization | -100,892 | -72,847 |
| Extraordinary effects | -31,972 | -16,813 |
| **EBIT** | **471,807** | **331,842** |
| Financial result | 10,823 | -14,423 |
| **Profit before tax** | **482,630** | **317,419** |

### Supplementary Information by Region

To provide additional information required by IFRS 8, the table below presents the supplementary information by geographical region. The key figures for non-current assets of the geographical areas refer to the company location, whereas 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).

The amount of sales revenue with a single customer does not exceed 5% of the consolidated sales revenue (2020 and 2019).

| | | Sales revenue | | Non-current assets |
|---|---|---|---|---|
| € in K | **2020** | 2019 | **2020** | 2019 |
| EMEA | 761,022 | 575,122 | 1,837,549 | 951,068 |
| thereof Germany | 171,815 | 151,667 | 448,884 | 391,369 |
| thereof France | 70,941 | 68,153 | 388,413 | 334,920 |
| Americas | 670,185 | 511,647 | 269,176 | 189,134 |
| thereof USA | 636,770 | 477,905 | 269,176 | 189,134 |
| Asia \| Pacific | 478,874 | 353,801 | 45,909 | 36,578 |
| thereof China | 180,308 | 106,819 | 14,243 | 2,864 |
| thereof South Korea | 116,732 | 82,678 | 13,580 | 13,962 |
| **Group** | **1,910,081** | **1,440,570** | **2,152,634** | **1,176,780** |

# 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 that can be converted into cash within a short maturity (generally less than three months). The amount considered in the statement of cash flows is equal to the amount of cash and cash equivalents in the statement of financial position.

The following table summarizes the development of the liabilities arising from financing activities during the reporting period:

| € in K | Balance at Dec. 31, 2018 | Initial Application of IFRS 16 | cash flows | Currency effects | other non-cash changes | **Balance at Dec. 31, 2019** |
|---|---|---|---|---|---|---|
| Loans and borrowings | 132,942 | 0 | −49,576 | 8 | 170 | 83,544 |
| Lease liabilities | 16,693 | 32,510 | −10,262 | 279 | 15,835 | 55,056 |
| Liability for acquisition of non-controlling interests in Biological Industries | | 0 | 0 | 0 | 61,010 | 61,010 |
| Liability for phantom units in connection with the AllPure acquisition | 8,739 | 0 | 0 | 168 | 2,610 | 11,517 |
| **Total financial liabilities from financing activities** | **158,375** | | **−59,838** | **456** | **79,625** | **211,127** |

| € in K | Balance at Dec. 31, 2019 | cash flows | Currency effects | other non-cash changes | **Balance at Dec. 31, 2020** |
|---|---|---|---|---|---|
| Loans and borrowings | 83,544 | 310,680 | −25 | 134,568 | 528,769 |
| Lease liabilities | 55,056 | −11,213 | −1,836 | 16,008 | 58,015 |
| Liability for acquisition of non-controlling interests in Biological Industries | 61,010 | 0 | 0 | −19,504 | 41,506 |
| Contingent consideration liability in connection with Watersep acquisition | 0 | 0 | −68 | 4,955 | 4,887 |
| Liability for phantom units in connection with the AllPure acquisition | 11,517 | −6,931 | −429 | 834 | 4,991 |
| **Total financial liabilities from financing activities** | **211,127** | **292,537** | **−2,358** | **136,861** | **638,167** |

# 7. Scope of Consolidation

The 2020 financial statements of the following entities:

- Distribo GmbH, Germany
- Beit Haemek Import and Marketing Agricultural Cooperative Society Ltd., Israel

were not included in the scope of consolidation, because the figures were of minor importance for assessing the financial position of the Group.

The sales revenue and total assets of the non-consolidated companies are below 1% of the Group figures.

The following entities were included in the scope of consolidation for the first time in the reporting period:

- Sartorius Stedim Chromatography Systems Ltd., Royston, UK
- Sartorius Stedim Chromatography Resins S.A.S., Cergy, France
- BIA Separations Podjetje za separacijske tehnologije d.o.o., Ajdovščina, Slovenia
- WaterSep BioSeparations LLC, Massachusetts, USA

The entities BI Shanghai Co. Ltd., Shanghai, China, Biological Industries Hong Kong Ltd., Kowloon, Hong Kong and Biological Industries USA Inc., Cromwell, Connecticut, USA joined the Group as a result of the acquisition of a majority interest in Biological Industries Israel Beit Haemek Ltd. in December 2019. Following the finalization of the purchase price allocation in 2020, the entities were included in the scope of consolidation from December 15, 2019. The investment in Biological Industries Israel Beit Haemek Ltd. was increased by 20% to just above 70% in December 2020 (see note 22). In December 2020, the shares in BI Shanghai Co. Ltd. were sold and the entity was deconsolidated. The non-controlling interests in Biological Industries USA Inc. were acquired in 2020. The entity was merged into Sartorius Stedim North America Inc. in November 2020.

Sartorius Stedim Chromatography Systems Ltd. and Sartorius Stedim Chromatography Resins S.A.S. were founded for the acquisition of selected life science assets from Danaher Corporation and purchased these assets on April 30, 2020. The shares in BIA Separations were acquired on November 2, 2020. The shares in WaterSep BioSeparations LLC were acquired on December 9, 2020.

See note 8 for details on the acquisition of the assets from Danaher and on the acquisitions of Biological Industries, BIA Separations and WaterSep BioSeparations LLC.

The immaterial entities TAP ESOP Management Ltd., Royston, UK, TAP Biosystems (PHC) Ltd., Royston, UK, and TAP Biosystems Ltd., Royston, UK were liquidated in 2020.

The financial statements of the following companies have been included in the Group financial statements:

| | Ownership in % |
|---|---|
| **EMEA** | |
| Sartorius Stedim Biotech S.A., Aubagne, France | Parent company |
| Sartorius Stedim Belgium N.V., Brussels, Belgium | 100 |
| Sartorius Stedim Nordic Oy, Helsinki, Finland | 100 |
| Sartorius Stedim Biotech GmbH, Goettingen, Germany | 100 |
| Sartorius Stedim Plastics GmbH, Goettingen, Germany | 100 |
| Sartorius Stedim North America Holding GmbH, Goettingen, Germany | 100 |
| Sartorius Stedim Systems GmbH, Guxhagen, Germany | 100 |
| Sartorius Stedim Cellca GmbH, Ulm, Germany | 100 |
| Sartorius Stedim UK Ltd., Epsom, UK | 100 |
| Sartorius Stedim BioOutsource Ltd., Glasgow, UK | 100 |
| Sartorius Stedim Lab Ltd., Stonehouse, UK | 100 |
| Sartorius Stedim Chromatography Systems Ltd., Royston, UK | 100 |
| TAP Biosystems Group Ltd., Royston, UK | 100 |
| The Automation Partnership Cambridge Ltd., Royston, UK | 100 |
| Sartorius Stedim FMT S.A.S., Aubagne, France | 100 |
| Sartorius Stedim France S.A.S., Aubagne, France | 100 |
| Sartorius Stedim Chromatography Resins S.A.S., Cergy, France | 100 |
| Sartorius Stedim Aseptics S.A.S., Lourdes, France | 100 |
| Sartorius Stedim Ireland Ltd., Dublin, Ireland | 100 |
| Sartorius Israel Ltd., Kibbutz Beit Haemek, Israel[1] | 51 |
| Biological Industries Israel Beit Haemek Ltd., Kibbutz Beit Haemek, Israel | 70 |
| Sartorius Stedim Italy S.r.l., Florence, Italy | 100 |
| Sartorius Stedim Netherlands B.V., Amersfoort, Netherlands | 100 |
| Sartorius Stedim Austria GmbH, Vienna, Austria | 100 |
| Sartorius Stedim Poland sp. z.o.o., Kostrzyn, Poland | 100 |
| LLC Sartorius Stedim RUS, St. Petersburg, Russia | 100 |
| Sartorius Stedim Data Analytics AB, Umeå, Sweden | 100 |
| Sartorius Stedim Switzerland AG, Tagelswangen, Switzerland | 100 |
| BIA Separations Podjetje za separacijske tehnologije d.o.o., Ajdovščina, Slovenia | 100 |
| Sartorius Stedim Spain S.A., Madrid, Spain | 100 |
| Sartorius Stedim Hungaria Kft., Budapest, Hungary | 100 |
| Sartorius Stedim Bioprocess S.A.R.L., M'Hamdia, Tunisia | 100 |
| **Americas** | |
| Sartorius Stedim Filters Inc., Yauco, Puerto Rico | 100 |
| Sartorius Stedim North America Inc., Dover, Delaware, USA | 100 |
| WaterSep BioSeparations LLC, Boston, Massachusetts, USA | 100 |
| **Asia \| Pacific** | |
| Sartorius Stedim Australia Pty. Ltd., Dandenong South, Victoria, Australia | 100 |
| Sartorius Stedim Biotech (Beijing) Co. Ltd., Beijing, China | 100 |
| Sartorius Stedim (Shanghai) Trading Co. Ltd., Shanghai, China | 100 |
| Sartorius Stedim India Pvt. Ltd., Bangalore, India | 100 |
| Sartorius Stedim Japan K.K., Tokyo, Japan | 100 |
| Sartorius Korea Biotech Co. Ltd., Seoul, South Korea | 69 |
| Sartorius Stedim Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia | 100 |
| Sartorius Stedim Singapore Pte. Ltd., Singapore, Singapore | 100 |
| Sartonets Taiwan Inc., New Taipei City, Taiwan | 100 |

1 Sartorius Israel Ltd. is an associate of the Group which is accounted for at cost for materiality reasons. Due to contractual agreements, the Parent CGroup does neither control nor jointly control the entity. Besides Sartorius Israel Ltd., there are no associates or joint ventures included in the scope of consolidation, i.e. all other companies are consolidated in full. The ownership rate equals the share in voting rights.

# 8. Business Combinations

### Acquisition of Biological Industries in 2019

On December 15, 2019, the Group acquired just over 50% of the shares of the Israeli cell culture media developer and manufacturer Biological Industries. In the course of the transaction, the Group obtained control based on contractual agreements.

Biological Industries focuses on cell culture media, particularly for cell and gene therapy, regenerative medicine and other advanced therapies. Founded in 1981, the company employed approximately 130 people at the acquisition date mainly at its headquarters, R&D and manufacturing site close to Haifa, Israel, and at sales locations in the USA, Europe and China.

The determination of the acquisition-date fair values of the assets acquired and liabilities assumed was completed in 2020. Non-controlling interests are measured at their proportionate share of the net assets. The following table presents preliminary and final valuations:

| | Preliminary purchase price allocation € in k | **Final purchase price allocation € in k** |
|---|---|---|
| Intangible assets | 0 | 28,451 |
| Property, plant and equipment | 5,201 | 8,527 |
| Inventories | 4,982 | 5,883 |
| Trade receivables | 5,121 | 4,547 |
| Other assets | 8,323 | 7,828 |
| Cash and cash equivalents | 3,209 | 3,734 |
| Deferred taxes - net | 0 | −7,731 |
| Loans and borrowings | −345 | −3,587 |
| Other liabilities | −6,637 | −6,133 |
| **Net assets acquired** | **19,855** | **41,520** |
| | | |
| **Non-controlling interests (50%)** | **9,927** | **21,292** |
| **Purchase price** | **47,571** | **49,332** |
| **Goodwill** | **37,644** | **29,104** |

The purchase price for the acquired shares was approximately €49.3 million and was fully paid in cash with the exception of a liability amounting to €2.2 million. The directly attributable acquisition-related costs totaled €0.3 million and were recognized in other expenses in 2019. The resulting goodwill is not deductible for tax purposes. The intangible assets recognized separately relate mainly to technologies and customer relationships. The investment in Sartorius Israel Ltd. with a fair value of €6.9 million is classified as an associate and included in other assets in the table above.

Besides being attributable to synergies - e.g., those realized by the acquiree's access to the Group's global sales and distribution network - the resulting goodwill reflects the expansion of the Group's product offering for biopharmaceutical customers and intangible assets that are not recognized separately, such as the acquired workforce.

**Acquisition of Selected Life Science Assets of Danaher**

On April 30, 2020, the Group completed the acquisition of selected life science businesses of Danaher Corporation as part of a broader transaction between Danaher and the Sartorius Group, Sartorius Stedim Biotech's major shareholder. The assets and liabilities related to the businesses were acquired via asset deals.

In the course of the transaction, Sartorius Stedim Biotech assimilated approximately 100 people at the sites in Portsmouth, U.K.; Cergy, France; Ann Arbor, Michigan, USA; and Hopkinton, Massachusetts, USA, into its workforce.

The business acquired by Sartorius Stedim Biotech generated revenue of approximately $100 million in 2019 and a slighlty positive result and covers various bioprocessing technologies, which are complementary to the Group's product portfolio. The company's broader offering as a result of the acquisition will support customers even more comprehensively in the safe and efficient production of such pharmaceuticals. Sartorius Stedim Biotech is thus improving its market position in key areas of the manufacture of biotech medications.

With the chromatography systems and resins business acquired, Sartorius Stedim Biotech is expanding its portfolio in the downstream processing area. This business addresses an essential step in the purification of biopharmaceuticals and encompasses both reusable and single-use equipment, columns and resins. Furthermore selected product groups in the areas of stainless steel hollow-fiber and single-use technology tangential flow filtration systems and single-use flow kits have been acquired.

The purchase price of approximately €216.2 million was fully paid in cash. Expenses of €3.1 million directly attributable to the acquisition were recognized as other expenses in profit or loss.

The purchase price allocation is as follows:

| | **Final purchase price allocation € in k** |
|---|---|
| Intangible assets | 137,985 |
| Property, plant and equipment | 6,831 |
| Inventories | 36,228 |
| Trade receivables | 3,743 |
| Other assets | 2 |
| Cash and cash equivalents | 0 |
| Deferred taxes - net | –1,232 |
| Provisions | –2,387 |
| Loans and borrowings | –616 |
| Other liabilities | –9,566 |
| **Net assets acquired** | **170,989** |
| | |
| Purchase price | 216,220 |
| **Goodwill** | **45,231** |

Goodwill resulting from the acquisition is expected to represent the broadening of the product offering for biopharmaceutical customers, synergies and intangible assets that are not separately recognized such as the know-how of the workforce. Due to the transaction structure, the Group expects that goodwill in an amount of €28 million will be deductible for tax purposes. The intangible assets recognized separately are primarily technology-based and customer-related intangible assets.

Since the acquisition date, the new business has contributed approximately €52.3 million to the Group's sales revenues and a slightly positive amount to the Group's earnings (excluding transaction and integration costs). If the acquisition had been occurred at January 1, 2020, the business would have contributed sales revenues of approximately €80 million and a slightly positive operating result (estimated on a pro rata basis).

### Acquisition of BIA Separations

On November 2, 2020, the Group acquired 100% of the shares in the Slovenian purification specialist BIA Separations Podjetje za separacijske tehnologije d.o.o. ("BIA Separations"). BIA Separation has about 120 employees at its headquarters in Ajdovščina, Slovenia.

The company develops and manufactures market-leading products for the purification and analysis of large biomolecules, such as viruses, plasmids and mRNA, which are used in cell and gene therapies and other advanced therapies. It is therefore complementary to the existing product portfolio of the Group. BIA's technology for manufacturing-scale purification is already used in the production of the first commercialized advanced therapeutics. The company also has a strong presence with such novel drug candidates in the clinical pipeline.

Due to the short time period between the acquisition date and the reporting date and the uncertainties with regard to the measurement of the intangible assets and the contingent consideration, the determination of the acquisition-date fair values of the assets acquired and liabilities assumed as well as the consideration transferred has not yet been completed. Therefore, the purchase price allocation is preliminary and based on management's current knowledge. The following valuations were considered:

| | **Preliminary purchase price allocation € in k** |
|---|---|
| Intangible assets | 308,014 |
| Property, plant and equipment | 13,834 |
| Inventories | 3,317 |
| Trade receivables | 1,696 |
| Other assets | 679 |
| Cash and cash equivalents | 2,176 |
| Deferred taxes - net | –58,100 |
| Provisions | –2,744 |
| Loans and borrowings | –1,841 |
| Other liabilities | –5,489 |
| **Net assets acquired** | **261,542** |
| | |
| Purchase price | 366,891 |
| Contingent Consideration | 285,530 |
| **Goodwill** | **390,879** |

The main asset included in other intangible assets is BIA Separations' technology for manufacturing-scale purification. In addition to that, the Group acquired further intangible assets such as customer relations and brands.

The consideration transferred includes a payment of €234,2 million in cash and 405,887 shares in the Group's parent company Sartorius Stedim Biotech S.A. that were transferred at the acquisition date by the ultimate parent of the Group, Sartorius AG, to the former owners of BIA Separations. The fair value of these shares was measured at €132.7 million at the acquisition date. In addition, the Group and the former owners of BIA

Separations have further agreed on three tranches of earn-out payments based on the sales performance of BIA Separations over the next five fiscal years. Depending on the sales performance, the sellers are entitled to receive additional shares in Sartorius Stedim Biotech S.A. This additional contingent consideration agreement is classified as a financial liability and measured at fair value through profit or loss at each reporting date. At the acquisition date, the contingent consideration component was valued at an amount of €285.5 million. This estimate reflects the expected future sales performance and the assumed number of shares to be transferred as well as the present value of the expected future share prices at the expected settlement dates. The lower end of the bandwidth of possible outcomes of the contingent consideration is zero, while the upper limit cannot be quantified due to the settlement in shares.

At the reporting date December 31, 2020, the fair value of the contingent consideration liability was measured at €253.9 million. This change reflects mainly the development of the share price of Sartorius Stedim Biotech S.A. during the time from the acquisition date to December 31, 2020. Furthermore, the discount rates applied to calculate the present value of the future obligation were adjusted to reflect the market rates at December 31, 2020. The difference between the valuation as of the acquisition date and the reporting date amounting to about €31.6 million has been recognized in the financial result. The range of possible outcomes of the contingent consideration has not changed since the acquisition date.

The key input parameters for the valuation of the financial liability are the sales revenue expectations for the next five years as well as the share price of Sartorius Stedim Biotech S.A. at the respective valuation date. The valuation results are less sensitive to realistic changes of other valuation parameters, e.g. the discount rates applied. Assuming 10% higher (lower) sales revenues in each of the five years of the plan period would result in an increase of the liability to be reported at the reporting date of approximately €29 million (decrease of approximately €24 million). If the share price of Sartorius Stedim Biotech S.A. had been 10% higher (lower) at the reporting date, the liability would have been €25 million higher (€25 million lower). The actual future outcomes may differ from these sensitivities that are determined by changing only the respective key input parameter in isolation.

Expenses of €3.6 million directly attributable to the acquisition were recognized as other expenses in profit or loss. The resulting goodwill represents synergies such as those arising from BIA Separations' access to the Group's worldwide sales and distribution network, the completion of the Group's product portfolio and intangible assets which are not recognized separately, e.g. the know-how of the skilled workforce. Goodwill is not expected to be tax deductible.

Due to the short time period since initial consolidation, BIA Separations did not contribute materially to the Group's sales revenue and earnings of the reporting period 2020 with the exception of the measurement gain on the contingent consideration described above. If the acquisition had occurred at January 1, 2020, the entity would have contributed sales revenues of approximately €22 million and no significant operating result due to the effects of the preliminary purchase price allocation. Furthermore, there would be no material impact on any of the individual line items in the statement of profit or loss.

**Acquisition of WaterSep BioSeparations LLC**

On December 9, 2020, the Group acquired 100% of the shares in the U.S.-based entity WaterSep BioSeparations LLC. The company has about 15 employees in Marlborough, Massachusetts, USA. WaterSep BioSeparations develops, manufactures and markets hollow-fiber membrane devices and pre-sterilized assemblies for upstream and downstream biopharmaceutical applications. This acquisition complements our current offering for cell and gene therapy applications, cell harvesting and various solutions for intensified bioprocessing.

Due to the short time period between the acquisition date and the approval of the consolidated financial statements, the full difference between the consideration transferred and the net assets acquired before their fair value measurement is provisionally presented as goodwill. It is expected that individual intangible assets such as technology-related and customer-related intangible assets will be identified during the purchase price allocation.

| | **Preliminary purchase price allocation € in k** |
|---|---|
| Intangible assets | 3 |
| Property, plant and equipment | 236 |
| Inventories | 362 |
| Trade receivables | 362 |
| Other assets | 85 |
| Cash and cash equivalents | 111 |
| Loans and borrowings | –2 |
| Other liabilities | –66 |
| **Net assets acquired** | **1,091** |
| | |
| Purchase price | 22,518 |
| Contingent Consideration | 4,887 |
| **Goodwill** | **26,313** |

The purchase price amounts to €27.4 million of which €22.5 million was paid in cash. The parties further agreed on an earn-out component which depends on the future sales revenue in the years 2021 to 2023 and is due in 2024. Until the settlement of this contingent consideration, the agreement is classified as a financial liability and measured at fair value through profit or loss at each reporting date. On a provisional basis, the contingent consideration was measured at a fair value of €4.9 million at the acquisition date. The lower end of the bandwidth of possible outcomes of the contingent consideration is zero, the upper limit is $9 million. The contingent consideration was not significantly adjusted at the reporting date as no relevant changes were observed.

Expenses of €0.3 million directly attributable to the acquisition were recognized as other expenses in profit or loss. The resulting goodwill represents synergies such as those arising from WaterSep BioSeparations' access to the Group's worldwide sales and distribution network, the completion of the Group's product portfolio and intangible assets that are not recognized separately, e.g. the know-how of the skilled workforce. Goodwill is expected to be tax deductible.

Due to the short time period since initial consolidation, WaterSep BioSeparations did not contribute materially to the Group's sales revenue and earnings of the 2020 reporting period. If the acquisition had been occurred at January 1, 2020, the entity would have contributed sales revenues of approximately €2 million.

**Effects of the acquisitions if they had been occurred at January 1, 2020**

Estimating the impact on the annual Group figures on the basis as if the acquisitions closed in 2020 had all taken place as of January 1, 2020, is particularly difficult for the reporting period. The transaction structure of the acquisition of Danaher Life Science's assets as well as the consequences arising from the COVID 19 pandemic crisis make such an assessment difficult. Given these limitations, hypothetical annual consolidated sales revenue would have been estimated at approximately €1,959.1 million with no material impact on the Group's operating margin.

# Notes to the Statement of Profit or Loss

## 9. Sales Revenue

Revenue recognition follows IFRS 15, Revenue from Contracts with Customers. The standard defines a comprehensive model to determine when to recognize revenue and in which amount. The revenues from contracts with customers according to IFRS 15 are disaggregated into geographical regions (see Segment Report, note 5).

The Group produces and sells instruments and consumables for customers in the Biopharm segment. The Group satisfies its performance obligations depending on the goods to be transferred and the promised services. The far majority of the revenues from sales of products is recognized at a point in time when the customer obtains control of the goods. This is typically the case when the significant risks and rewards of ownership of the goods are transferred to the customer. Therefore, the point in time may vary depending on the agreement with the individual customer.

For complex products that require installation at the customer's site, revenue is recognized upon formal customer acceptance. To a small extent, revenue is recognized over time in the customer-specific project business. In these cases, revenue is recognized according to the project progress which is measured based on the percentage of costs to date compared to the total estimated contract costs. The amount of actual costs incurred to date reflects the progress and the transfer of control to the customer appropriately as the Group has a right to a reimbursement of cost to date plus an appropriate margin, if the project is cancelled by the customer without cause.

Revenue from services is generally recognized when the services are performed or have been performed. When the services are performed continuously over a period of time, the Group recognizes the related revenue over time. In this case, revenue is generally recognized pro rata in relation to the total contract period. Product sales are typically accompanied by the legally required warranty. Any material extended warranties are accounted for as separate performance obligations.

According to the general payment terms, customer payments are due in the short-term, typically within 30 days. To some extent, the Group obtains advance payments, e.g. to avoid credit risks. Therefore, the Group regularly has contract liabilities (payments received on account of orders). In addition, the Group recognizes contract liabilities in connection with service contracts (deferred revenues) when customers pay in advance.

There are no material effects from contracts with significant financing components. The Group uses the practical expedient regarding the existence of a significant financing component. This means that a financing component is only taken into consideration when the length of time between the transfer of goods or services and the receipt of consideration is expected to exceed one year and the effect is material. As of December 31, 2020, the Group had refund liabilities of €8,011 k arising from incentive agreements with customers (2019: €4,740 k).

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period (orders on hand) amounted to €1,136.6 million (2019: €606.9 million). The Group expects that these unsatisfied performance obligations will be satisfied to a large extent in 2021.

There were no extraordinary changes in the carrying amounts of the contract liabilities and contract assets in the reporting period. Revenue in the amount of €68,458 k was recognized in the reporting period that was included in contract liabilities at the beginning of the reporting period (2019: €41,182 k).

The balances of trade receivables and contract assets are presented in note 28. For details on the impairment losses on trade receivables and contract assets recognized in the reporting period see note 39. The following table presents the balances of the Group's contract liabilities.

| | Line item in statement of financial position | Carrying amount as of December 31, 2020 | Carrying amount as of December 31, 2019 |
|---|---|---|---|
| | | **€ in K** | € in K |
| Deferred revenue | Other liabilities | 24,516 | 14,138 |
| Payments received on account of orders | Trade payables | 132,239 | 80,574 |
| **Contract liabilities (total)** | | **156,755** | **94,712** |

# 10. Functional Costs

The statement of profit or loss has been presented according to the "cost of sales format", i.e. expenses are allocated to the relevant functions of production, sales & marketing, research & development and general administration.

Expenses relating to cross-functional initiatives or projects are assigned to the respective functional costs based on an appropriate allocation principle.

The caption "cost of sales" includes the cost of products sold and the cost of merchandise sold. In addition to directly attributable expenses, such as raw materials and supplies, employee benefits expense, and energy expenses, cost of sales also includes overhead, which can be allocated to the manufacturing area, and the corresponding depreciation and amortization.

The selling and distribution costs pertain, in particular, to the costs of the sales and marketing function, distribution and market research.

Research and development costs comprise the costs of research and product and process development, unless they are recognized as assets.

The item "general administrative expenses" mainly includes 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 mentioned functional areas are recognized as other income and expenses. This includes essentially effects from translation of transactions in foreign currencies, sale of fixed assets, allowances on trade receivables and reorganization and other non-recurring expenses. Income from grants related to income is recognized as other income, when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. They are recognized systematically as income over the period in which the related costs are recorded.

Operating expenses by nature are presented in the Profit or Loss Statement by nature in note 14.

The material expense and personnel cost are as follows:

### Raw Materials and Supplies

This caption includes the following:

| € in K | **2020 12 months** | 2019 12 months |
|---|---|---|
| Purchases consumed | 375,095 | 284,819 |
| Cost of purchased services | 97,189 | 68,305 |
| **Total** | **472,284** | **353,124** |

### Personnel Cost

This caption can be broken down as follows:

| € in K | **2020 12 months** | 2019 12 months |
|---|---|---|
| Wages and salaries | 392,838 | 315,649 |
| Social security | 84,047 | 70,020 |
| Expenses for retirement benefits and pensions | 9,435 | 7,527 |
| **Total** | **486,320** | **393,195** |

## 11. Other Operating Income and Expenses

| € in K | **2020 12 months** | 2019 12 months |
|---|---|---|
| Currency translation gains | 22,734 | 7,649 |
| Income from the decrease in allowances for bad debts | 2,353 | 982 |
| Income from release of provisions and liabilities | 784 | 601 |
| Income from grants | 2,021 | 1,005 |
| Other income | 2,014 | 5,390 |
| **Other operating income** | **29,905** | **15,627** |
| | | |
| Currency translation losses | −21,805 | −7,641 |
| Extraordinary expenses | −31,972 | −16,813 |
| Allowances for bad debts | −5,391 | −3,662 |
| Other expenses | −25,669 | −7,860 |
| **Other operating expenses** | **−84,837** | **−35,975** |
| **Total other operating income and expenses** | **−54,931** | **−20,348** |

The item reported as income from grants comprises grants for expenses (essentially related to research and development projects). The currency translation gains in 2020 include an amount of €6.5 million for the reclassification of items from equity into profit or loss (see note 36).

Extraordinary items amounted to €−32.0 million (net) (previous year: €−16.8 million). Extraordinary expenses essentially cover one-time expenses for strategic Group projects as well as integration and acquisition-related items.

# 12. Financial Result

| € in K | **2020 12 months** | 2019 12 months |
|---|---|---|
| Interest and similar income | 509 | 336 |
| - of which from affiliated companies | 317 | 213 |
| Income from derivative financial instruments | 6,163 | 2,126 |
| Other financial income | 42,186 | 4,405 |
| **Financial income** | **48,857** | **6,867** |
| Interest and similar expenses | -6,509 | -3,864 |
| - of which from affiliated companies | -2,832 | -1,091 |
| Expenses for derivative financial instruments | -6,254 | -589 |
| Interest expense for pensions | -310 | -747 |
| Other financial expenses | -24,962 | -16,090 |
| **Financial expenses** | **-38,034** | **-21,290** |
| **Total** | **10,823** | **-14,423** |

The other financial income (expenses) include mainly foreign exchange gains (losses) in connection with bank deposits and loans and liabilities denominated in foreign currencies. In 2020 this item also includes the income amounting to €31.6 million resulting from the remeasurement of the contingent consideration in connection with the acquisition of BIA Separations, see note 8. Furthermore, in the prior period an increase in the liability for the phantom units in AllPure had been recognized in an amount of approx. €2.5 million (see note 31).

The interest expenses to affiliated companies are in connection with the loan granted by the Group's ultimate parent Sartorius AG (see also chapter 42).

# 13. Income Taxes

| € in K | **2020 12 months** | 2019 12 months |
|---|---|---|
| Current income taxes | -140,092 | -83,417 |
| Deferred taxes | 17,978 | 2,034 |
| **Total** | **-122,114** | **-81,383** |

Current income taxes are determined based on the respective local taxable income of the period and local tax rules. In addition, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed. Changes in deferred tax assets and liabilities are included in income taxes except for changes recognized in other comprehensive income or equity.

Income taxes in France are calculated at 31.33% of the estimated taxable profit for the year. For Germany, a rate of approx. 30% was applied to the taxable income. Income generated outside France and Germany is taxed at rates applicable in the corresponding country.

Considering the French and German average tax rates and the impact of other tax legislations, the expected tax rate for the Sartorius Stedim Biotech Group is roughly 26% (26% in 2019). The following table explains the difference between the expected tax expense and the income tax expenses reported for the particular fisca year.

| € in K | **2020 12 months** | 2019 12 months |
|---|---|---|
| Expected tax rate | 26% | 26% |
| Expected tax expense | −125,484 | −82,529 |
| Differences from the Group average income tax rate | 8,804 | 9,654 |
| Permanent differences | −8,350 | −6,415 |
| Tax-free income and other tax exemptions | 12,673 | 3,430 |
| Unrecognized tax losses and deductible temporary differences | −266 | −1,641 |
| Taxes for previous years | −8,616 | −3,096 |
| Withholding and similar taxes | −1,413 | −321 |
| Other | 538 | −465 |
| **Total** | **−122,114** | **−81,383** |
| | | |
| Effective tax rate | −25.3% | −25.6% |

# 14. Profit or Loss Statement by Nature

| € in K | **2020 12 months** | 2019 12 months |
|---|---|---|
| Sales revenue | 1,910,081 | 1,440,570 |
| Purchases consumed | −375,095 | −284,819 |
| Cost of purchased services | −97,189 | −68,305 |
| Personnel costs | −486,320 | −393,195 |
| Amortization and depreciation | −102,282 | −73,368 |
| Other operating costs | −377,388 | −289,041 |
| **Subtotal** | **−1,438,274** | **−1,108,728** |
| **Operating profit (EBIT)** | **471,807** | **331,842** |
| Financial income I expenses | 10,823 | −14,423 |
| Income tax | −122,114 | −81,383 |
| Non-controlling interest | −2,666 | −1,535 |
| **Net profit after non-controlling interest** | **357,849** | **234,501** |

# 15. Earnings per Share

According to IAS 33, earnings per share are determined as follows: basic earnings per share (basic EPS) are calculated on the basis of the weighted average number of ordinary shares during the period.

| | **2020** | 2019 |
|---|---:|---:|
| Net profit after tax (€ in K) | 360,516 | 236,036 |
| Group net profit after tax (€ in K) | 357,849 | 234,501 |
| Earnings per share (€) | 3.88 | 2.54 |
| Diluted earnings per share (€) | 3.88 | 2.54 |
| Number of shares (statutory level) | 92,180,190 | 92,180,190 |
| Treasury shares | −1,093 | −3,225 |
| **Weighted average number of shares used in earnings per share calculation** | **92,179,097** | **92,176,965** |
| **Weighted average number of shares used in diluted earnings per share calculation** | **92,179,097** | **92,176,965** |

# Notes to the Individual Balance Sheet Items

## 16. Goodwill and Other Intangible Assets

### Goodwill

| € in K | Goodwill |
|---|---|
| **Gross book values at Jan. 1, 2019** | **384,695** |
| Currency translation | 1,285 |
| Business combinations | 32,348 |
| **Gross book values at Dec. 31, 2019** | **418,328** |
| **Impairment losses at Jan. 1, 2019** | **0** |
| Currency translation | 0 |
| Impairment losses | 0 |
| **Impairment losses at Dec. 31, 2019** | **0** |
| **Net book values at Dec. 31, 2019** | **418,328** |

| € in K | **Goodwill** |
|---|---|
| **Gross book values at Jan. 1, 2020** | **418,328** |
| Currency translation | –5,591 |
| Business combinations | 462,425 |
| **Gross book values at Dec. 31, 2020** | **875,162** |
| **Impairment losses at Jan. 1, 2020** | **0** |
| Currency translation | 0 |
| Impairment losses | 0 |
| **Impairment losses at Dec. 31, 2020** | **0** |
| **Net book values at Dec. 31, 2020** | **875,162** |

The caption reported as goodwill in the amount of €875,162 K is the difference between the consideration transferred and the fair value of the net assets acquired in business combinations. According to IAS 36, goodwill acquired in a business combination may not be amortized, but rather, must be tested for impairment annually and whenever there is any indication of an impairment. The increase recorded in 2020 concerns the acquisitions of BIA Separations, WaterSep BioSeparations and that of the Life Science assets from Danaher (see note 8). The additions in the prior period resulted from the acquisitions of Biological Industries and Sartonets Taiwan.

For the purpose of impairment testing, goodwill must be allocated to each of the acquirer's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. The 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. Sartorius Stedim Biotech Group follows the strategy of being a total solution provider for its customers. Because of the various interdependencies within the business, the lowest level at which goodwill is monitored is that of the Biopharm segment. Therefore, the acquired goodwill is allocated to this group of CGUs.

As in 2019, the impairment test conducted for 2020 measures the recoverable amount on the basis of the value in use of the particular cash-generating unit (Biopharm segment). The cash flow forecasts consider previous experience and are generally based on Group management's forecasts for a period of four years. The calculations were based on a terminal growth rate of 2.5% for the years after 2024. This rate is derived from market expectations, which forecast significant growth rates for the targeted biopharmaceutical market. The major growth drivers for the Sartorius Stedim Biotech Group will be the aging and increase in population and the improved access to drugs in the emerging markets as well as the ongoing paradigm shift from reusable products to single-use products utilized in bio manufacturing by the biopharmaceutical industry.

The discount rates applied correspond to the weighted average cost of capital; they were recognized as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Before tax** | **After tax** | Before tax | After tax |
| Biopharm segment | 7.7% | 6.3% | 9.0% | 7.3% |

In 2020, our impairment test did not result in the recognition of impairment losses. In this context, various sensitivity analyses based on realistic variations of the assumptions disclosed above did not result in an impairment either. The following variations would theoretically represent the "break-even point":

| | **2020** | 2019 |
|---|---|---|
| Discount rates | 30.2% | 24.4% |
| Terminal growth rate | –84.6% | –45.7% |
| Cash flows | –90.0% | –78.9% |

## Intangible Assets

| € in K | Patents, licenses and similar rights | Brand name | Customer relationships | Capitalized developme nt costs | Payments on account | Total |
|---|---|---|---|---|---|---|
| **Gross book values at Jan. 1, 2019** | **99,094** | **11,874** | **123,669** | **107,622** | **55** | **342,313** |
| Currency translation | 1,018 | 1 | 847 | 755 | 0 | 2,622 |
| Business combinations | 11,606 | 2,295 | 16,550 | 0 | 0 | 30,451 |
| Acquisitions | 382 | 0 | 0 | 25,868 | 0 | 26,250 |
| Disposals | –176 | 0 | 0 | 0 | –20 | –195 |
| Transfers | 43 | 0 | 0 | 0 | –36 | 7 |
| **Gross book values at Dec. 31, 2019** | **111,966** | **14,171** | **141,066** | **134,244** | **0** | **401,447** |
| **Amortization and impairment losses at Jan. 1, 2019** | **–37,575** | **–311** | **–85,724** | **–41,210** | **0** | **–164,821** |
| Currency translation | –774 | –8 | –569 | –186 | 0 | –1,537 |
| Amortization and impairment losses | –9,018 | –79 | –8,571 | –9,059 | 0 | –26,727 |
| Disposals | 164 | 0 | 0 | 0 | 0 | 164 |
| Transfers | –33 | 0 | 0 | –4 | 0 | –38 |
| **Amortization and impairment losses at Dec. 31, 2019** | **–47,237** | **–399** | **–94,865** | **–50,459** | **0** | **–192,959** |
| **Net book values at Dec. 31, 2019** | **64,730** | **13,772** | **46,201** | **83,785** | **0** | **208,488** |

| € in K | Patents, licenses and similar rights | Brand name | Customer relationships | Capitalized development costs | Payments on account | **Total** |
|---|---|---|---|---|---|---|
| **Gross book values at Jan. 1, 2020** | **111,966** | **14,171** | **141,066** | **134,244** | **0** | **401,447** |
| Currency translation | –5,319 | –20 | –4,351 | –1,170 | 0 | –10,860 |
| Business combinations | 377,963 | 688 | 64,331 | 3,020 | 0 | 446,002 |
| Acquisitions | 1,796 | 0 | 938 | 29,660 | 0 | 32,395 |
| Disposals | –2 | 0 | 0 | 0 | 0 | –2 |
| Transfers | 43 | 0 | 0 | 532 | 0 | 575 |
| **Gross book values at Dec. 31, 2020** | **486,448** | **14,839** | **201,983** | **166,287** | **0** | **869,557** |
| **Amortization and impairment losses at Jan. 1, 2020** | **–47,237** | **–399** | **–94,865** | **–50,459** | **0** | **–192,959** |
| Currency translation | 805 | 8 | 1,198 | 249 | 0 | 2,260 |
| Amortization and impairment losses | –16,459 | –247 | –13,595 | –15,034 | 0 | –45,335 |
| Disposals | 2 | 0 | 0 | 0 | 0 | 2 |
| Transfers | –3 | 0 | 0 | 0 | 0 | –3 |
| **Amortization and impairment losses at Dec. 31, 2020** | **–62,892** | **–637** | **–107,262** | **–65,245** | **0** | **–236,036** |
| **Net book values at Dec. 31, 2020** | **423,556** | **14,202** | **94,721** | **101,042** | **0** | **633,521** |

Intangible assets acquired are recorded at cost less accumulated, regular amortization that is calculated according to the straight-line method and any impairment loss. The useful life of an intangible asset is the period during which the Group expects to use the asset.

Amortization of intangible assets is generally based on the following estimated useful lives:

| | |
|---|---|
| Software | 2 to 10 years |
| Capitalized R&D expenses | 4 to 6 years |
| Customer relations and technologies | 5 to 20 years |
| Brand name | 2 years to indefinite |

Costs incurred within the scope of the development of new products and methods were capitalized as internally generated intangible assets if the following criteria were 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, raw materials and supplies, external services and directly attributable overheads. Intangible assets generated internally are amortized on a straight line basis over their useful lives, which generally do not exceed six years.

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

The Stedim brand name acquired in 2007 and integrated into the parent company's name (Sartorius Stedim Biotech S.A.) is considered to have an indefinite useful life and is therefore not amortized. There is no foreseeable limit to the period over which the brand name is expected to generate net cash inflows for the Group. The brand name is tested annually for impairment at the level of the "Biopharm segment" cash-generating unit (CGU).

In 2020, the development costs of €29,660 K were recognized as assets (€25,868 K in 2019).

Amortization of intangible assets is allocated to the corresponding functions in the statement of profit or loss. For capitalized development costs, amortization is reported under "cost of sales".

In 2020, no impairments were recognized. The impairments in 2019 of €2.9 million relate mainly to capitalized development expenses.

# 17. Property, Plant and Equipment

| € in K | Land, buildings and improvements | Technical machinery and equipment | Factory and office equipment and other equipment | Payments on account and construction in progress | Total |
|---|---|---|---|---|---|
| **Gross book values at Jan. 1, 2019** | **179,937** | **177,387** | **88,844** | **180,718** | **626,887** |
| Currency translation | 1,138 | 1,372 | 412 | 2,321 | 5,243 |
| Business combinations | 3,020 | 1,493 | 501 | 0 | 5,014 |
| Acquisitions | 36,651 | 22,092 | 16,475 | 28,006 | 103,224 |
| Disposals | 1,003 | –3,794 | –2,149 | –24 | –4,964 |
| Transfers | 106,767 | 13,488 | 10,717 | –130,979 | –7 |
| **Gross book values at Dec. 31, 2019** | **328,517** | **212,039** | **114,800** | **80,042** | **735,398** |
| **Depreciation at Jan. 1, 2019** | **–58,128** | **–94,540** | **–52,838** | **1** | **–205,505** |
| Currency translation | –405 | –739 | –273 | 1 | –1,417 |
| Depreciation | –10,199 | –14,912 | –10,697 | –167 | –35,975 |
| Disposals | –1,008 | 3,728 | 1,842 | 0 | 4,562 |
| Transfers | –141 | 1,633 | –1,454 | 0 | 38 |
| **Depreciation at Dec. 31, 2019** | **–69,881** | **–104,830** | **–63,420** | **–165** | **–238,297** |
| **Net book values at Dec. 31, 2019** | **258,636** | **107,208** | **51,381** | **79,877** | **497,100** |
| **Net book values at Dec. 31, 2019 of right-of-use assets** | **46,782** | **1,958** | **4,123** | **0** | **52,864** |
| **Total property, plant and equipment at Dec. 31, 2019** | **305,418** | **109,166** | **55,504** | **79,877** | **549,965** |

| | Land, buildings and improvements | Technical machinery and equipment | Factory and office equipment and other equipment | Payments on account and construction in progress | **Total** |
|---|---|---|---|---|---|
| **Gross book values at Jan. 1, 2020** | **328,517** | **212,039** | **114,800** | **80,042** | **735,397** |
| Currency translation | –8,768 | –6,609 | –1,758 | –4,245 | –21,379 |
| Business combinations | 5,645 | 5,034 | 624 | 8,982 | 20,285 |
| Acquisitions | 20,306 | 20,736 | 16,350 | 76,380 | 133,771 |
| Disposals | –544 | –1,985 | –3,162 | 564 | –5,127 |
| Transfers | 6,493 | 20,577 | 8,274 | –36,052 | –708 |
| **Gross book values at Dec. 31, 2020** | **351,648** | **249,792** | **135,128** | **125,672** | **862,239** |
| **Depreciation at Jan. 1, 2020** | **–69,881** | **–104,830** | **–63,420** | **–165** | **–238,297** |
| Currency translation | 1,306 | 2,515 | 1,147 | 3 | 4,971 |
| Depreciation | –13,691 | –17,775 | –12,980 | 0 | –44,446 |
| Disposals | 424 | 1,620 | 2,687 | 0 | 4,731 |
| Transfers | –296 | –12 | 294 | 164 | 149 |
| **Depreciation at Dec. 31, 2020** | **–82,138** | **–118,482** | **–72,272** | **1** | **–272,891** |
| **Net book values at Dec. 31, 2020** | **269,509** | **131,310** | **62,856** | **125,673** | **589,348** |
| **Net book values at Dec. 31, 2020 of right-of-use assets** | **49,193** | **1,172** | **4,237** | **0** | **54,601** |
| **Total property, plant and equipment at Dec. 31, 2020** | **318,702** | **132,482** | **67,092** | **125,673** | **643,950** |

The "Property, plant, and equipment" caption in the statement of financial position includes right-of-use assets according to IFRS 16 (see note 18). Property, plant, and equipment is recorded at cost and depreciated over the estimated useful life using the straight-line method. Property, plant, and equipment is subject to impairment tests whenever there are indicators of impairment.

Depreciation of non-current 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 |

Depreciation is presented in the statement of profit or loss according to how the assets are used, in the cost of sales, selling and distribution costs, research and development costs, general administrative expenses, and other operating expenses.

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. A qualifying asset is defined as an asset that takes a substantial period of time (six to twelve months) to get ready for its intended use.

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

As in fiscal 2019, no significant impairment losses were recognized on property, plant, and equipment in 2020.

# 18. Leases

Since 2019, lease accounting follows IFRS 16, Leases. A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. For the financing structure of the Group, leases are not of high relevance. The main considerations in relation to leases are therefore generally of a practical nature, for example, with regard to the management of IT hardware or the fleet management. Accordingly, leases of IT hardware and cars represent the major part of the Group's lease contracts. The lease term of such leases is generally fixed and extends typically over 3 to 5 years. However, those leases of the Group in which the lessor is a related party that is an entity controlled by the ultimate parent, Sartorius AG, are generally of a short-term nature providing both contract parties with operational flexibility. Furthermore, at some sites, the Group has long-term leases of buildings. The lease contracts are managed by the local management and may contain extension options which are included in the lease term according to IFRS 16 when the Group is reasonably certain that the option will be exercised. The Group does not act as a lessor to a material extent.

IFRS 16 introduces a standardized accounting model according to which leases are generally recognized on the lessee's statement of financial position. A lessee recognizes a right-of-use asset representing its right to use a lease asset, as well as a lease liability, which represents its obligation to make lease payments. There are exemptions for short-term leases and leases of low-value assets.

The Group makes use of the exemptions for short-term leases and leases of low-value assets and recognizes the corresponding lease payments as an expense generally on a straight-line basis over the particular lease term. Accordingly, no right-of-use assets and no lease liabilities are recognized for these leases. Furthermore, no right-of-use assets and no liabilities are recognized for leases between Group entities. The Group does not apply the standard to leases of intangible assets.

In the statement of financial position, the Group presents the right-of-use assets according to the nature of the underlying lease assets within "Property, plant and equipment." The right-of-use assets are recognized at cost less accumulated depreciation and any impairment losses. The cost of the right-of-use assets comprises the present value of the future lease payments, any payments paid upon or before commencement of the lease, any initial direct costs, and costs for dismantling or removing the lease asset. The right-of-use assets are typically depreciated over the lease term. If the transfer of legal ownership of the lease asset is planned at the end of the lease term, the right-of-use asset is depreciated over the economic useful life of the lease asset. In the statement of profit or loss, depreciation is recognized within functional costs.

The lease liabilities are presented separately on the face of the statement of financial position. Lease liabilities are initially recognized at an amount equal to the present value of the future lease payments. The lease payments do generally not include any payments in relation to non-lease components. In general, the incremental borrowing rate of the Group is used for discounting. Subsequently, the carrying amount of the lease liabilities is increased by interest expenses and reduced by lease payments. Interest expenses are reported in the financial result and, to the extent they are paid, in the financing section of the cash flow statement.

As of December 31, 2020, lease liabilities stood at €58.0 million (2019: €55.1 million). The maturities of the future lease payments are presented in note 38. The composition of the right-of-use assets included in "Property, plant and equipment" as of the reporting date and as of the preceding reporting date and the main changes during the period are presented in the table below.

| € in K | Land, buildings and improvements | Technical machinery and equipment | Factory and office equipment and other equipment | Total |
|---|---|---|---|---|
| **Gross book values at Jan. 1, 2019** | **47,060** | **2,078** | **3,003** | **52,142** |
| Currency translation | 669 | 25 | 41 | 734 |
| Business combinations | 3,661 | 0 | 245 | 3,906 |
| Acquisitions | 8,567 | 720 | 2,732 | 12,018 |
| Disposals | –670 | 0 | –177 | –846 |
| Transfers | 0 | 0 | 0 | 0 |
| **Gross book values at Dec. 31, 2019** | **59,287** | **2,823** | **5,845** | **67,955** |
| **Depreciation at Jan. 1, 2019** | **–4,939** | **0** | **–94** | **–5,033** |
| Currency translation | –125 | –7 | –10 | –142 |
| Depreciation | –8,110 | –857 | –1,699 | –10,666 |
| Disposals | 670 | 0 | 80 | 750 |
| Transfers | 0 | 0 | 0 | 0 |
| **Depreciation at Dec. 31, 2019** | **–12,505** | **–865** | **–1,722** | **–15,091** |
| **Net book values at Dec. 31, 2019** | **46,782** | **1,958** | **4,123** | **52,864** |

| € in K | Land, buildings and improvements | Technical machinery and equipment | Factory and office equipment and other equipment | **Total** |
|---|---|---|---|---|
| **Gross book values at Jan. 1, 2020** | **59,287** | **2,823** | **5,845** | **67,955** |
| Currency translation | –2,224 | –31 | –92 | –2,347 |
| Business combinations | 616 | 0 | 0 | 616 |
| Additions | 13,051 | 64 | 2,467 | 15,582 |
| Disposals | –562 | –12 | –317 | –890 |
| Transfers | 0 | 0 | –31 | –31 |
| **Gross book values at Dec. 31, 2020** | **70,168** | **2,844** | **7,872** | **80,884** |
| **Depreciation at Jan. 1, 2020** | **–12,505** | **–865** | **–1,722** | **–15,091** |
| Currency translation | 532 | 17 | 43 | 592 |
| Depreciation | –9,557 | –824 | –2,120 | –12,501 |
| Disposals | 555 | 0 | 145 | 700 |
| Transfers | 0 | 0 | 18 | 18 |
| **Depreciation at Dec. 31, 2020** | **–20,975** | **–1,672** | **–3,636** | **–26,283** |
| **Net book values at Dec. 31, 2020** | **49,193** | **1,172** | **4,237** | **54,601** |

The interest expenses presented in the financial result, the total cash outflows for existing leases, and the expenses recognized for short-term leases and leases of low value assets in the reporting period and the comparative period are presented in the table below. No material expenses were recognized for variable lease payments in the reporting period.

| € in K | **2020 12 months** | **2019 12 months** |
|---|---|---|
| Interest expenses for leases | 2,180 | 2,069 |
| Expenses for leases of low value assets | 1,477 | 699 |
| Expenses for short-term leases | 1,652 | 2,614 |
| Total cash-outflow for leases | 16,522 | 15,644 |

# 19. Deferred Tax

| | Deferred Tax Assets | | Deferred Tax Liabilities | |
|---|---|---|---|---|
| € in K | **Dec. 31, 2020** | Dec. 31, 2019 | **Dec. 31, 2020** | Dec. 31, 2019 |
| Intangible assets | 0 | 0 | 102,858 | 46,419 |
| Tangible assets | 0 | 0 | 6,009 | 5,299 |
| Inventory | 14,922 | 11,542 | 0 | 0 |
| Receivables and other current assets | 1,701 | 697 | 0 | 0 |
| Provisions | 12,516 | 7,966 | 0 | 0 |
| Liabilities | 9,545 | 6,272 | 0 | 1,081 |
| **Gross amount** | **38,684** | **26,476** | **108,868** | **52,799** |
| Carry forward of taxable losses | 984 | 984 | 0 | 0 |
| Tax on undistributed earnings of subsidiaries | 0 | 0 | 1,900 | 1,400 |
| Offset | –12,187 | –9,134 | –12,187 | –9,134 |
| **Net amount** | **27,481** | **18,326** | **98,581** | **45,065** |
| **Change** | **9,156** | **3,501** | **–53,517** | **3,837** |
| **thereof recognized in profit or loss** | **10,253** | **3,450** | **7,702** | **291** |

Deferred tax assets or liabilities are determined based on temporary differences between the carrying amounts and the tax base of assets and liabilities (except in special cases provided for by IAS 12) including loss carryforwards and tax credits. 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.

For this purpose, the tax rates and tax rules are used that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized for deductible temporary differences and tax losses and unused tax credits only to the extent that it is probable that the Group will have future taxable income against which they can be charged.

### Deferred Tax Assets

On the reporting date, the Group had unused tax loss amounts carried forward of €10.6 million to be deducted from future taxable profits (€11.4 million in 2019). A deferred tax asset was reported on losses amounting to €3.2 million (€0.0million in 2019).

Deferred tax assets in the amount of €1.4 million (€0.0 million) relate to companies that reported losses in this year under review or in the previous reporting period.

### Deferred Tax Liabilities

The deferred tax liabilities in connection with intangible assets refer to assets acquired in business combinations and consequently are mainly linked to customer relationships and technologies.

The Group did not record deferred tax liabilities on approx. €1,073 million (€815 million) in cumulative undistributed earnings of subsidiaries because these earnings are intended to be reinvested in these operations. When the dividends are paid out, an amount of 5% of the dividends will be taxed under the French and German taxation rules and, if applicable, with withholding tax. Furthermore, additional income tax consequences could arise in the case of an intermediate holding company.

In fiscal 2020, as in the previous years, the tax effect of hedging instruments, and the deferred tax assets from the recognition of the remeasurements of defined benefit liabilities (assets) were recognized in other comprehensive income. The income taxes recognized in other comprehensive income are disclosed in the table below:

| € in K | **2020** | 2019 |
|---|---|---|
| Cash flow hedges | −2,759 | 948 |
| Remeasurements of the net defined benefit obligations | 918 | 2,284 |
| **Total** | **−1,841** | **3,232** |

The change in deferred tax assets and liabilities can be reconciled as follows:

| € in K | Deferred Tax Assets | Deferred Tax Liabilities |
|---|---|---|
| Balance at Jan. 1, 2019 | 14,490 | 39,150 |
| Currency translation | −107 | 92 |
| Change in the scope of consolidation | 1 | 8,131 |
| Recognized in profit or loss | 1,822 | −213 |
| Recognized in other comprehensive income | 1,136 | −2,096 |
| **Balance at Dec. 31, 2019** | **17,342** | **45,065** |

| € in K | **Deferred Tax Assets** | **Deferred Tax Liabilities** |
|---|---|---|
| **Balance at January 1, 2020** | **17,342** | **45,065** |
| Currency translation | −480 | −298 |
| Change in the scope of consolidation | 0 | 59,332 |
| Recognized in profit or loss | 10,253 | −7,725 |
| Recognized in other comprehensive income | 366 | 2,207 |
| **Balance at December 31, 2020** | **27,481** | **98,581** |

# 20. Inventories

| € in K | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Raw materials and supplies | 124,152 | 81,368 |
| Work in progress | 143,911 | 103,925 |
| Finished goods and merchandise | 197,596 | 141,083 |
| Payments on account | 6,646 | 2,643 |
| **Total** | **472,305** | **329,019** |

| € in K | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Gross amount inventories | 499,164 | 345,785 |
| Write-downs | −26,858 | −16,766 |
| **Net Amount Inventories** | **472,305** | **329,019** |

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

Inventories must be measured at the lower 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.

# 21. Issued Capital

Sartorius Stedim Biotech S.A.'s share capital consists of 92,180,190 shares with a par value of €0.20 per share.

As of December 31, 2019, and December 31, 2020, there were no dilutive instruments. Shares registered in the name of the same owner for at least four years benefit from a double voting right.

| | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Number of shares at the beginning of the period | 92,180,190 | 92,180,190 |
| **Number of shares at the end of the period** | **92,180,190** | **92,180,190** |
| Nominal value per share (in €) | 0.20 | 0.20 |
| **Issued capital amount (€ in K)** | **18,436** | **18,436** |

**Dividends**
The Board of Directors will submit a proposal to the Annual General Shareholders' Meeting for payment of a dividend for the year ended December 31, 2020, as follows: payment of a net dividend of €0.68 per share (2019: €0.34), i.e., a total distribution of 62,681,786.00€ (excluding treasury shares; 2019: 31,340,168.00€).

# 22. Non-Controlling Interest

The non-controlling interests recognized in the statement of financial position amounting to €22,876 K relate to the subsidiaries Sartorius Korea Biotech and Biological Industries. The Group's interest in Sartorius Korea Biotech is 69%, the remaining 31% are subject to an exercisable call option. The purchase price for this non-controlling interest is variable and depends on the future performance of the entity.

The Group's interest in Biological Industries was increased by 20% to slightly more than 70% in fiscal 2020. In exchange for the additional 20% stake in Biological Industries, the Group paid an amount of about €22.5 million in cash to the non-controlling shareholders. The financial liability that had been recognized for the corresponding put option of the non-controlling interest amounting to €19.8 million has been reclassified to retained earnings. The impact on the non-controlling interest and the equity attributable to the owners of the parent is presented in the statement of changes in equity.

| € in K | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Sartorius Korea Biotech Co. Ltd. | | |
| Sales revenue | 111,566 | 72,737 |
| Net result | 7,659 | 5,271 |
| Total assets | 69,894 | 44,049 |
| Attributed profit or loss | 2,374 | 1,634 |

There are no significant restrictions on the Group's ability to access or use the assets or settle the liabilities of the above entity.

# 23. Pension and Employee Benefits Provisions

### Pension Obligations

Pension provisions and similar obligations are recognized in the consolidated financial statements of Sartorius Stedim Biotech 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 remeasurements of the net defined benefit obligation are recognized in other comprehensive income (pension reserves) in accordance with IAS 19.

### Defined Contribution Plans

Most of the Sartorius Stedim Biotech Group companies make payments under defined contributions plans, primarily related to government-run pension plans. In 2020, the total expense recognized for the defined contribution plans amounted to €22,613 K (2019: €22,830 K).

### Defined Benefit Plans

The remeasurements of defined benefit liabilities (asset) are presented in other comprehensive income according to IAS 19. The actuarial losses, which were transferred to the pension reserves, essentially resulted from a change in the discount rate and totaled €–3,016 K (€–7,906 K in 2019).

An amount of €30,204 K relates in particular to pension provisions for retirement pension plans in Germany. These provisions totaled €28,545 K in 2019 and primarily relate to direct commitments under defined benefit pension plans. Under these commitments, the employees earn benefits for each year of service rendered to the company. The benefits earned depend on the salary level and the age of the respective employees. The pension benefits are generally not funded with assets.

The assumed discount rates reflect the interest rates payable on the reporting date for high-quality corporate bonds with matching maturities and denominated in the relevant currencies (mainly euro). 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 is based on the following actuarial assumptions:

**For Germany:**

| in % | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Discount rate | 0.45 | 0.89 |
| Future salary increases | 3.00 | 3.00 |
| Future pension increases | 2.00 | 2.00 |

With regard to the assumptions for mortality and disability the tables "Richttafeln (RT) 2018 G" by Klaus Heubeck were applied.

**For France:**

| in % | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Discount rate | 0.50 | 0.70 |
| Future salary increases | 2.00 | 2.00 |
| Future pension increases | 2.00 | 2.00 |

The amounts reported in the statement of profit or loss and other comprehensive income consist of the following:

| € in K | **2020** | 2019 |
|---|---|---|
| Current service cost | –2,264 | –2,240 |
| Past service cost | 720 | 394 |
| Net interest expenses | –296 | –591 |
| **Components of defined benefit costs recognized in profit or loss** | **–1,840** | **–2,437** |
| Return on plan assets (excl. interest) | 58 | 12 |
| Remeasurements | –3,074 | –7,908 |
| **Components of defined benefit costs recognized in other comprehensive income** | **–3,016** | **–7,896** |
| **Total** | **–4,856** | **–10,334** |

In the statement of profit or loss, the current service cost is disclosed according to the assignment of employees to the respective functions.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of defined benefit plans is as follows:

| € in K | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Present value of the obligations | 63,822 | 57,861 |
| Fair value of the plan assets | –16,429 | –13,739 |
| **Net Liability** | **47,393** | **44,123** |

The present value of the defined benefit obligation developed as follows:

| € in K | **2020** | 2019 |
|---|---|---|
| **Present value of the obligations as of Jan. 1** | **57,861** | **46,459** |
| Current service cost | 2,264 | 2,240 |
| Past service cost | –720 | –394 |
| Interest cost | 413 | 747 |
| Remeasurements | 3,079 | 7,906 |
| Foreign currency translation differences | –129 | 438 |
| Retirement benefits paid in the reporting year | –1,883 | –1,220 |
| Employee contributions | 449 | 357 |
| Contributions by plan participants | 1,949 | 1,286 |
| Other changes | 538 | 42 |
| **Present value of the obligations as of Dec. 31** | **63,822** | **57,861** |

The remeasurements of the defined benefit liability (asset) can be allocated as follows:

| € in K | **2020** | 2019 |
|---|---|---|
| Experience adjustments | 1,477 | 626 |
| Changes in demographic assumptions | 171 | –408 |
| Changes in financial assumptions | 1,430 | 7,688 |
| **Total** | **3,079** | **7,906** |

### Plan Assets

| € in K | 2020 | 2019 |
|---|---|---|
| **Plan assets as of Jan. 1** | **13,739** | **10,865** |
| Interest income | 118 | 156 |
| Return on plan assets (excl. interest) | 58 | 12 |
| Remeasurements | 5 | −2 |
| Group contribution & payments | −1,718 | −946 |
| Foreign currency translation differences | −105 | 283 |
| Employee contributions | 449 | 357 |
| Employer contributions | 1,935 | 1,729 |
| Contributions by plan participants | 1,949 | 1,286 |
| Other changes | 0 | 0 |
| **Plan assets as of Dec. 31** | **16,429** | **13,739** |

### Composition of Plan Assets

The plan assets primarily refer to insurance contracts in Germany and Switzerland, no major equity or debt investments are included. The subsidiary in South Korea has deposited an amount of €5.7 million (€3.6 million in 2019) to local banks as cash and cash equivalents.

### Sensitivity Analysis

An increase|decrease of the actuarial assumptions would have the following impacts on the defined benefit obligations (a positive sign (+) means an increase in the obligation):

2019:

| € in K | | |
|---|---|---|
| **Demographic assumptions** | | |
| Life expectancy | +1 year | −1 year |
| Effect | 2,393 | −2,333 |
| **Financial assumptions** | | |
| Discount rate | +100 bps | −100 bps |
| Effect | −7,508 | 8,671 |
| Future salary increases | +50 bps | −50 bps |
| Effect | 2,327 | −2,157 |
| Future pension increases | +25 bps | −25 bps |
| Effect | 2,242 | −2,139 |

2020:

| € in K | | |
|---|---|---|
| **Demographic assumptions** | | |
| Life expectancy | +1 year | –1 year |
| Effect | 2,629 | –2,562 |
| **Financial assumptions** | | |
| Discount rate | +100 bps | –100 bps |
| Effect | –8,124 | 9,370 |
| Future salary increases | +50 bps | –50 bps |
| Effect | 2,685 | –2,303 |
| Future pension increases | +25 bps | –25 bps |
| Effect | 2,425 | –2,314 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that changes in assumptions occur in isolation of one another. Furthermore, the present value of the defined benefit obligation was 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:

| € in K | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| < 1 year | 2,559 | 1,968 |
| 1 – 5 years | 9,686 | 9,000 |
| 6 - 10 years | 16,588 | 14,404 |
| >10 years | 88,789 | 86,825 |
| **Total** | **117,621** | **112,196** |

The weighted average duration of the defined benefit obligations is 17.2 years (2019: 17.8 years).

## 24. Other Provisions

A provision is recognized when a present legal or constructive obligation to third parties arising from past events 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 reporting date.

Restructuring provisions are recognized 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 and compensation payments due to the termination of agreements with suppliers and dealers. Restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced.

### Other Non-current Provisions

| € in K | Payments to employees on early retirement plan | Other | Total |
|---|---|---|---|
| Balance at Jan. 1, 2019 | 1,873 | 1,004 | 2,877 |
| Currency translation | 0 | 6 | 6 |
| Consumption | -953 | -48 | -1,001 |
| Reversals | 0 | -76 | -76 |
| Additions | 945 | 589 | 1,534 |
| **Balance at Dec. 31, 2019** | **1,865** | **1,475** | **3,340** |

| € in K | Payments to employees on early retirement plan | Other | **Total** |
|---|---|---|---|
| Balance at Jan. 1, 2020 | 1,865 | 1,475 | 3,340 |
| Change in the scope of consolidation | 0 | 2,744 | 2,744 |
| Currency translation | 0 | -17 | -17 |
| Consumption | -938 | -89 | -1,027 |
| Reversals | 0 | -179 | -179 |
| Additions | 1,232 | 396 | 1,628 |
| Reclassification | 0 | 0 | 0 |
| **Balance at Dec. 31, 2020** | **2,159** | **4,329** | **6,488** |

The non-current provisions comprise mainly provisions for partial retirement and employee anniversary bonuses (included in the item "other"). These obligations arise mainly in German Group companies. The partial retirement plans allow employees to work part-time for 3-5 years before their actual retirement.

Under IAS 19, these obligations are treated as severance payments to be earned in future periods and are therefore recognized in profit or loss over the respective period of service. Actuarial gains and losses, as well as past service costs, on these obligations are recognized as income or expense.

Non-current provisions are reported at their present value on the reporting date. The discount rate for employees on the early retirement plan is -0.3% (2019: 0.0%).

### Current Provisions

During fiscal 2019 and 2020, current provisions changed as follows:

| € in K | Warranties | Other | Total |
|---|---|---|---|
| Balance at Jan. 1, 2019 | 6,364 | 5,919 | 12,283 |
| Currency translation | 50 | 13 | 63 |
| Consumption | -108 | -1,136 | -1,244 |
| Release | -3,101 | -2,873 | -5,974 |
| Additions | 2,072 | 3,412 | 5,484 |
| **Balance at Dec. 31, 2019** | **5,277** | **5,335** | **10,612** |

| € in K | Warranties | Other | **Total** |
|---|---|---|---|
| Balance at Jan. 1, 2020 | 5,277 | 5,335 | 10,612 |
| Change in the scope of consolidation | 474 | 1,400 | 1,874 |
| Currency translation | –90 | –19 | –109 |
| Consumption | –239 | –576 | –815 |
| Release | –1,251 | –1,166 | –2,417 |
| Additions | 4,495 | 7,107 | 11,601 |
| **Balance at Dec. 31, 2020** | **8,665** | **12,081** | **20,746** |

Warranty provisions contain expenses for replacement deliveries and repairs. Specific risks are recognized when occurrence is more likely than not. General warranty risks are considered on the basis of past experience. The other provisions contain onerous contracts, uncertain liabilities to employees and provisions for interest in connection with tax risks.

# 25. Other Financial Obligations | Contingent Assets and Liabilities

As was the case in previous years, there are no significant contingent liabilities or contingent assets to be reported.

**Financial Instruments | Financial Risks**
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. The following sections give an overview of the impact of financial instruments on the financial statements of the Sartorius Stedim Biotech Group and provide additional information on items in the statement of financial position that contain financial instruments.

Financial assets of the Group mainly include cash and cash equivalents, trade and loan receivables and derivative financial instruments with a positive fair value.

Financial liabilities of the Group mainly comprise loans borrowed from Sartorius AG, contingent consideration according to IFRS 3, trade payables, lease liabilities and derivative financial instruments with a negative fair value. Financial liabilities other than derivative financial instruments and those arising from contingent consideration agreements are measured at amortized cost.

# 26. Financial Instruments: Significant Accounting Policies

IFRS 9 includes guidelines for classification and measurement of financial instruments, including a model of expected credit losses for the calculation of impairments of financial assets, as well as guidelines on hedge accounting. This standard also contains guidance on the recognition and derecognition of financial instruments.

Under IFRS 9, the classification and measurement approach for financial assets 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: solely payments of principal and interest). There were no reclassifications of financial instruments during the reporting period.

With regard to the impairment of financial assets, IFRS 9 includes a so-called expected-loss model. Financial assets are generally regarded as credit-impaired when there are objective indications that cast doubt about the full collection of the cash flows of the respective financial assets. With regard to the financial assets of the Group, the simplified approach which is applied to trade receivables is of particular relevance.

Besides trade receivables, cash and cash equivalents are the most material financial assets on the Group's statement of financial position as of the reporting date, December 31, 2020. No impairment is recognized for these financial assets due to materiality considerations.

As on the last reporting date, for the remaining financial assets that are measured at amortized cost, no impairment is recognized as of December 31, 2020, for the 12-month expected credit losses, given the Group's immaterial historical losses.

Derivatives are measured at fair value determined according to the mark-to-market method in which recognized mathematical methods are used. The fair values are based on the market data available at the time the value of these derivatives is calculated and reflect the estimates of the market conditions at the end of the year. Those instruments that are not designated as hedging instruments and to which no hedge accounting is applied, are classified as held for trading. Changes in the fair values of derivative financial instruments are either recognized in profit or loss or, in case of hedging relationships, in other comprehensive income.

The Group applies the hedge accounting rules of IFRS 9. The Group uses forward transactions to hedge cash flow risks that result from changes in foreign exchange rates in relation to sales of products and the production activities, and designates only the spot element of the hedging instrument.

## 27. Cash and Cash Equivalents

The Group considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. This mainly includes deposits in banks. Cash and cash equivalents are measured at cost. For purposes of the consolidated cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above. As of December 31, 2020, cash and cash equivalents amounted to €59,762 K (2019: €28,166 K).

## 28. Current Trade Receivables | Other Receivables

| € in K | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Trade receivables from third parties | 236,759 | 195,827 |
| Amounts due from customers for contract work [1] | 6,159 | 8,530 |
| Receivables from subsidiaries of the Sartorius AG Group | 13,975 | 16,893 |
| **Trade receivables** | **256,894** | **221,250** |

1 Contract assets according to IFRS 15.

The book values of trade receivables and other receivables are representative of their fair value considering the maturity date and the credit risks. The contract assets are recognized in connection with customer-specific construction contracts that meet the requirements for revenue recognition over time according to IFRS 15 (see note 9). The amount of trade receivables presented as of December 31, 2020 was reduced by €100.3 million (2019: €27.5 million) as result of a sale of trade receivables because substantially all risks and rewards in relation to the financial assets sold were transferred to the buyer and the respective receivables were fully derecognized. In particular, credit risks as well as any risks arising from foreign exchange rates were completely transferred to the buyer under the current factoring programme. The programme is organized by the Treasury department of the Sartorius AG Group. All participating Sartorius AG Group companies can sell receivables with a combined volume of €100 million and US$ 100 million under the programme.

The "Receivables from subsidiaries of the Sartorius AG Group" item refers to other companies of the Sartorius Group (please refer to note 42). Impairment losses on trade and other receivables are recognized using separate allowance accounts. For details on the determination of the impairment allowances see note 0.

## 29. Other Financial Assets

| € in K | **Dec. 31, 2020** | Dec. 31, 2019 |
|---|---|---|
| Derivative financial instruments | 10,127 | 1,277 |
| Other financial assets | 10,856 | 18,768 |
| **Current financial assets** | **20,983** | **20,045** |

The amount shown as derivative financial instruments represents the fair value of foreign currency hedging instruments, mainly forward contracts (for details refer to note 36).

Other financial assets are measured at amortized cost using the effective interest method less any impairment losses. The item "Other financial assets" includes loan receivables to other entities of the Sartorius AG Group in the amount of €1,013 K (2019: €10,391 K).

## 30. Loans and Borrowings

| € in K | **Balance at Dec. 31, 2020** | **of which current Dec. 31, 2020** | Balance at Dec. 31, 2019 | of which current Dec. 31, 2019 |
|---|---|---|---|---|
| Liabilities to banks | 9,545 | 9,308 | 31,857 | 31,857 |
| Loans from Sartorius AG | 515,420 | 0 | 49,602 | 9,602 |
| Other loans from Sartorius Group companies | 3,804 | 3,804 | 2,086 | 2,086 |
| **Total loans and borrowings** | **528,769** | **13,112** | **83,544** | **43,544** |

Sartorius Stedim Biotech Group has signed loan agreements with its parent company Sartorius AG mainly to finance the acquisitions of the Life Science Assets from Danaher and BIA Separations (see note 8). The interest rates are fixed with a credit margin based on arms'-length principles.

In addition, the financing of the Sartorius Stedim Biotech Group is secured by a credit line from its parent Sartorius AG (see note 38).

The non-current loans and borrowings do not include liabilities to the sellers in connection with acquisitions which are presented in the caption "other non-current liabilities".

## 31. Other Non-current Liabilities

The other non-current liabilities mainly include the liabilities resulting from the contingent consideration agreements in connection with the acquisitions of BIA Separations and WaterSep BioSeparations LLC in 2020 (see note 8 for details). Furthermore, this position includes the liabilities in connection with the possible acquisition of the non-controlling interests in Biological Industries due to the put options of the current holder amounting to €35.6 million as well as the remaining liability for phantom units that was incurred in connection with the acquisition of the non-controlling interests in AllPure Technologies, LLC (€5.0 mn).

The liability for AllPure depends on future sales revenue and is due 2022 at the latest. Considering the continued positive development, the expected payments are determined by considering future revenue at an annual growth rate of about 20% on average. An increase (decrease) in sales revenue by 10% in each of the following years would lead to an increase (decrease) in the liability by €0.6 million (€0.6 million).

# 32. Trade Payables

| € in K | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Payments received on account of orders [1] | 132,239 | 80,574 |
| Trade payables to third parties | 156,633 | 107,253 |
| Payables to participations | 832 | 193 |
| Payables to subsidiaries of the Sartorius AG Group | 17,268 | 9,651 |
| **Total** | **306,972** | **197,670** |

1 Contract liabilities according to IFRS 15.

# 33. Other Current Financial Liabilities

| € in K | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Derivative financial instruments | 1 | 667 |
| Other liabilities | 29,240 | 40,013 |
| **Total** | **29,241** | **40,680** |

Derivative financial instruments refer to the fair values of foreign currency hedging transactions such as forward contracts (mainly related to the U.S.$).

"Other liabilities" as of December 31, 2020 include the current portion of the liabilities in connection with the possible acquisition of the non-controlling interests in Biological Industries (€5.9 million). The amount reported here at the preceding reporting date in relation to the acquisition of non-controlling interests in Biological Industries was derecognized in fiscal 2020 in the course of the acquisition of an additional 20% interest in Biological Industries (see note 22).

# 34. Carrying Amounts and Fair Values of Financial Instruments according to Categories

The following table shows the carrying amounts and fair values of financial assets and liabilities by category of financial instrument according to IFRS 9 as of December 31, 2020, and as of December 31, 2019:

| | Category acc. to IFRS 9 | **Carrying amount Dec. 31, 2020** | **Fair value Dec. 31, 2020 € in K** | Carrying amount Dec. 31, 2019 | Fair value Dec. 31, 2019 € in K |
|---|---|---|---|---|---|
| Investments in non-consolidated subsidiaries and associates | n/a | 7,009 | 7,009 | 7,082 | 7,082 |
| Financial assets | Equity instruments at fair value through profit or loss | 49 | 49 | 50 | 50 |
| Financial assets | Debt instruments at fair value through profit or loss | 1,062 | 1,062 | 864 | 864 |
| Financial assets | Measured at amortized cost | 5,377 | 5,377 | 6,431 | 6,431 |
| **Financial assets (non-current)** | | **13,497** | **13,497** | **14,427** | **14,427** |
| Amounts due from customers for contract work | n/a | 6,159 | 6,159 | 8,530 | 8,530 |
| Trade receivables | Measured at fair value through other comprehensive income | 105,443 | 105,443 | 24,586 | 24,586 |
| Trade receivables | Measured at amortized cost | 145,291 | 145,291 | 188,134 | 188,134 |
| **Trade receivables** | | **256,894** | **256,894** | **221,250** | **221,250** |
| Receivables and other assets | Measured at amortized cost | 10,856 | 10,856 | 18,768 | 18,768 |
| Derivative financial instruments designated as hedging instruments [1] | n/a | 10,127 | 10,127 | 1,110 | 1,110 |
| Derivative financial instruments | Held for trading | 0 | 0 | 167 | 167 |
| **Other financial assets (current)** | | **20,983** | **20,983** | **20,045** | **20,045** |
| **Cash and cash equivalents** | **Measured at amortized cost** | **59,762** | **59,762** | **28,166** | **28,166** |
| **Loans and borrowings** | **Financial liabilities at cost** | **528,769** | **532,939** | **83,544** | **83,609** |
| Trade payables | Financial liabilities at cost | 174,733 | 174,733 | 117,097 | 117,097 |
| Trade payables \| payments received for orders | n/a | 132,239 | 132,239 | 80,574 | 80,574 |
| **Trade payables** | | **306,972** | **306,972** | **197,670** | **197,670** |
| Derivative financial instruments designated as hedging instruments [1] | n/a | 1 | 1 | 667 | 667 |
| Other financial liabilities | Financial liabilities at fair value through profit or loss | 258,772 | 258,772 | 0 | 0 |
| Other financial liabilities | Financial liabilities at cost | 73,787 | 73,895 | 91,534 | 91,380 |
| **Other financial liabilities** | | **332,560** | **332,668** | **92,201** | **92,047** |

1 The amounts include the non-designated part of the contracts.

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 measured on the basis of prices quoted on active markets for identical assets and liabilities. In Level 2, financial instruments are measured on the basis of input factors that can be derived from observable market data or on the basis of market prices for similar instruments. Level 3 financial instruments are measured on the basis of input factors that cannot be derived from observable market data.

Besides the liabilities arising from contingent consideration agreements (Level 3, see note 8 for details), the financial instruments to be recognized at fair value on the reporting date are mainly derivatives in the form of forward contracts. They were measured on the basis of their quoted exchange rates and market yield curves (Level 2).

The fair values to be disclosed for financial liabilities recognized at amortized cost, especially liabilities to banks, were measured on the basis of the market interest rate, taking the current indicative credit spreads into account (Level 2).

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 credit loss risk is reflected by the carrying amounts of the financial assets recognized in the statement of financial position.

The Group recognizes transfers between the levels of the fair value hierarchies at the end of the reporting period during which a change has occurred. In the current reporting period, there were no transfers between the levels.

## 35. Net Gains and Losses from Financial Instruments

The net gains and losses of the various categories of financial instruments are presented in the following table:

| Categories according to IFRS 9<br>€ in K | **2020<br>12 months** | 2019<br>12 months |
|---|---|---|
| Financial assets measured at amortized cost | –9,774 | –1,693 |
| Financial assets and liabilities measured at fair value through profit or loss | 38,064 | –590 |
| Financial liabilities measured at amortized cost | –6,779 | –3,660 |

The net result from financial assets measured at amortized cost mainly includes the effects of currency translation and changes in allowances.

The net result from financial assets and liabilities measured at fair value through profit or loss predominantly comprises changes in the fair value of derivative financial instruments as well as interest income and interest expenses for these financial instruments and in 2020 the changes of the financial liabilities arising from contingent consideration agreements (see also note 8).

The net result from liabilities measured at amortized cost mainly comprises the effects of foreign currency translation.

Total interest income and expenses for financial assets and liabilities that are not measured at fair value through profit or loss were as follows:

| € in K | **2020<br>12 months** | 2019<br>12 months |
|---|---|---|
| Interest income | 763 | 506 |
| Interest expenses | –7,318 | –4,882 |

**Capital and Financial Risk Management**

Capital Risk Management

In the Sartorius Stedim Biotech Group, capital is managed in order to maximize earnings of those participating in the company 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 detailed above 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 Department of the Sartorius Stedim Biotech Group is centrally located at Sartorius Corporate Administration GmbH, a subsidiary of Sartorius AG. This centralized Treasury Department performs services for all companies of the Sartorius Group, including the Sartorius Stedim Biotech Group, and coordinates access to national and international financial markets. In addition, the Treasury Department monitors and controls financial risks by internal risk reporting, which analyzes risks according to their degree and scope. Essentially, these risks entail currency, interest rate and liquidity risks as well as credit risks.

The Sartorius Stedim Biotech Group strives to minimize the impact of currency and interest rate risks using appropriate primary or derivative financial instruments. Hedging transactions and their control are carried out by different staff members. Moreover, the Group's Internal Auditing Department regularly monitors the use of such financial instruments. Derivative financial instruments are traded for hedging purposes only.

## 36. Management of Exchange Rate Risks and Hedge Accounting

The Group is exposed to currency risks as more than 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, the Group is able to compensate the major part of the revenues denominated in foreign currencies with costs incurred in the same currencies due its global production network. The share of revenues generated in foreign currencies that exceeds such costs, the so-called net currency exposure, is hedged with derivative financial instruments to a certain extent (generally 50% to 80%). The Group generally follows a rolling hedging strategy of up to 12 months in advance. Also, the hedging measures are reviewed at regular intervals in order to adapt them to currency fluctuations.

For currency hedging, forward contracts are used. Forward contracts 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 on that date. The profit or loss resulting from the difference between the current and the previously established exchange rate is generally recognized as income or expense in the statement of profit or loss.

At the reporting date, forward contracts had been carried out in an amount of $150 million (2019: $120 million) to hedge against the risk of fluctuation in the EUR | USD exchange rate. This amount covers roughly half of the expected net exposure for the U.S. dollar within the period of 12 months. Furthermore, other foreign currencies were hedged in smaller volumes.

Moreover, the currency risk associated with the financing of the acquisition of selected Danaher Life Science businesses was hedged by purchasing currency options in a nominal amount of $180 million. The fair value of the derivatives as of the preceding reporting date, December 31, 2019, amounted to €166 K.

The following table shows the forward transactions as of the reporting date:

| Dec. 31, 2019 | Currency | Volume | Maturity | Fair value € in K |
|---|---|---|---|---|
| Forward contract | USD | 120,000 | 2020 | 335 |
| | **USD** | **120,000** | | **335** |
| Forward contract | JPY | 1,400,000 | 2020 | 151 |
| | **JPY** | **1,400,000** | | **151** |
| Forward contract | AUD | 4,000 | 2020 | –44 |
| | **AUD** | **4,000** | | **–44** |
| Forward contract | GBP | 1,500 | 2020 | 8 |
| | **GBP** | **1,500** | | **8** |
| Forward contract | SEK | 9,000 | 2020 | –5 |
| | **SEK** | **9,000** | | **–5** |

| Dec. 31, 2020 | Currency | Volume | Maturity | **Fair value € in K** |
|---|---|---|---|---|
| Forward contract | USD | 150,000 | 2021 | 9,543 |
| | **USD** | **150,000** | | **9,543** |
| Forward contract | JPY | 850,000 | 2021 | 80 |
| | **JPY** | **850,000** | | **80** |
| Forward contract | CAD | 2,000 | 2021 | 11 |
| | **CAD** | **2,000** | | **11** |
| Forward contract | GBP | 38,000 | 2021 | 492 |
| | **GBP** | **38,000** | | **492** |

Derivative financial instruments are measured at the time of acquisition at cost and at fair value on subsequent balance sheet dates. The changes in value of the derivative financial instruments are generally recognized in the statement of profit or loss on the reporting date.

If the derivative financial instruments serve to hedge against cash flow risk arising from exchange rate risks and a qualified hedging relationship exists based on the criteria of IFRS 9, the valuation adjustments of the effective portion of the instrument are recognized in other comprehensive income (cumulative amount in 2020: €10.8 million; 2019: €1.6 million). Only the spot element of the forward contracts used to hedge the cash flow risks is designated as hedging instrument. The amounts recognized in equity are reclassified to profit or loss in the period in which the hedged transactions affect profit or loss. The changes of the hedging reserves are shown below and in the statement of changes in equity. The non-designated or ineffective portion of the hedging instruments is recognized in the financial result in profit or loss.

The economic relationship between hedging instrument and hedged item and the effectiveness of the hedge relationship is determined based on consistency of the significant contractual features of the transactions ("Critical Terms Match"). In this regard, the Group performs a qualitative assessment. Hedge ineffectiveness may possibly arise when the timing of future transactions deviates from the original assumptions or the credit risk of the counterparties of the hedging instrument changes.

The following table presents the effects of the hedging instruments related to exchange rate risks on the financial position and performance of the Group:

| Currency | Carrying amount (asset) as of Dec. 31, 2019 | Carrying amount (liability) as of Dec. 31, 2019 | Hedge ratio | Change in value of hedging instruments | Change in value of hedged item | Nominal amount | Maturity: 1-6 months | Maturity: 7-12 months | Average exercise price |
|---|---|---|---|---|---|---|---|---|---|
| | € in K | € in K | | € in K | € in K | in K of respective currency | | | |
| USD | 1,346 | 188 | 100% | 1,158 | 1,158 | 120,000 | 85,000 | 35,000 | 1.13 |
| JPY | 151 | 0 | 100% | 151 | 151 | 1,400,000 | 1,400,000 | 0 | 120.44 |
| GBP | 7 | 0 | 100% | 7 | 7 | 1,500 | 1,500 | 0 | 0.85 |
| SEK | 0 | 5 | 100% | -5 | -5 | 9,000 | 9,000 | 0 | 10.44 |
| AUD | 0 | 40 | 100% | -40 | -40 | 4,000 | 4,000 | 0 | 1.63 |

| Currency | Carrying amount (asset) as of Dec. 31, 2020 | Carrying amount (liability) as of Dec. 31, 2020 | Hedge ratio | Change in value of hedging instruments | Change in value of hedged item | Nominal amount | Maturity: 1-6 months | Maturity: 7-12 months | Average exercise price |
|---|---|---|---|---|---|---|---|---|---|
| | € in K | € in K | | € in K | € in K | in K of respective currency | | | |
| USD | 10,300 | 0 | 100% | 10,300 | 10,300 | 150,000 | 95,000 | 55,000 | 1.14 |
| CAD | 11 | 0 | 100% | 11 | 11 | 2,000 | 2,000 | 0 | 1.55 |
| JPY | 83 | 0 | 100% | 83 | 83 | 850,000 | 850,000 | 0 | 124.90 |
| GBP | 449 | 0 | 100% | 449 | 449 | 38,000 | 18,000 | 20,000 | 0.91 |

Hedging instruments that have a positive fair value are shown in the line item “financial assets (non-current)” or “other financial assets (current)” in the statement of financial position. Hedging instruments that have a negative fair value are shown in the line item “other financial liabilities (non-current)” or “other financial liabilities (current)” in the statement of financial position.

The amounts that are recognized in the reporting period in connection with the cash flow hedges in other comprehensive income as well as those amounts that were reclassified from other comprehensive income to profit or loss (in the line item "other income and other expense" from 2020 on) are presented in the statement of other comprehensive income and the statement of changes in equity.

If the U.S. dollar would have depreciated 10% against the euro, the other comprehensive income would have increased by €11.1 million (2019: increase by €9.6 million), the impact on the result would have been - €6.6 million (2019: -€3.4 million). Vice versa, if the U.S. dollar would have appreciated 10% against the euro, the resulting impact on the result would have been €8.1 million (2019: + €15.8 million) and on the other comprehensive income - €13.6 million (2019: - €11.8 million).

# 37. Interest Risk Management

Sartorius Stedim Biotech is mainly financed through its parent company Sartorius AG. The major loans are taken out at fixed interest rates (see note 30); therefore the Group is currently not significantly exposed to interest rate risks. To control the interest risk, an appropriate ratio between fixed and variable loans is generally maintained. As of December 31, 2020, the Group has no open interest rate derivative contracts to hedge the risk of increasing interest rates.

As of December 31, 2020 there are no loans with variable interest rates (2019: €50 million). If the market interest rate had been 1.0 percentage point higher, the interest expenses in the statement of profit or loss would have been €0 million (2019: €0.5 million) higher. With regard to a decrease in interest rates a base interest rate of 0% has been considered. The impact on the financial result would have been €0 million (2019: +€0.5 million).

# 38. Liquidity Risk Management

The maturity of the financial liabilities excluding derivative financial instruments shows the following pattern:

| € in K | Carrying amount Dec. 31, 2019 | Cash Flow Dec. 31, 2019 | < 1 year | 1 – 5 years | > 5 years |
|---|---|---|---|---|---|
| Loans and borrowings | 83,544 | 83,613 | 43,613 | 40,000 | 0 |
| Finance Leases | 55,056 | 71,101 | 12,108 | 28,090 | 30,903 |
| Trade payables | 117,097 | 117,097 | 117,097 | 0 | 0 |
| Other liabilities (excluding derivatives) | 91,534 | 93,059 | 40,013 | 36,470 | 16,575 |
| **Financial Liabilities** | **347,231** | **364,870** | **212,831** | **104,560** | **47,478** |

| € in K | **Carrying amount Dec. 31, 2020** | **Cash Flow Dec. 31, 2020** | < 1 year | 1 – 5 years | > 5 years |
|---|---|---|---|---|---|
| Loans and borrowings | 528,769 | 528,784 | 13,125 | 515,659 | 0 |
| Finance Leases | 58,015 | 75,113 | 12,828 | 32,723 | 29,562 |
| Trade payables | 174,733 | 174,733 | 174,733 | 0 | 0 |
| Other liabilities (excluding derivatives) | 332,559 | 331,546 | 29,337 | 184,528 | 117,681 |
| **Financial Liabilities** | **1,094,076** | **1,110,176** | **230,023** | **732,909** | **147,243** |

The cash flows shown in the above tables include the undiscounted expected payments in connection with the respective financial liabilities including the associated interest payments based on the interest rates as of the reporting date.

The loans and borrowings include the loan raised from the parent company Sartorius AG. The other liabilities include the liabilities from the contingent considerations agreements in connection with the acquisitions of BIA Separations and WaterSep BioSeparations LLC, the liability for the phantom units in AllPure as well as the liabilities in connection with the possible acquisition of the non-controlling interests in Biological Industries.

The following tables illustrate the liquidity analysis for derivative financial instruments based on undiscounted cash flows:

| € in K | Carrying amount Dec. 31, 2019 | Cash Flow Dec. 31, 2019 | < 1 year | 1 – 5 years | > 5 years |
|---|---|---|---|---|---|
| **Gross fulfilment** | | | | | |
| **Forward contracts** | **667** | **667** | **667** | **0** | **0** |
| Payment obligation | | 47,705 | 47,705 | 0 | 0 |
| Payment claim | | –47,038 | –47,038 | 0 | 0 |
| **Derivatives** | **667** | **667** | **667** | **0** | **0** |

| € in K | **Carrying amount Dec. 31, 2020** | **Cash Flow Dec. 31, 2020** | < 1 year | 1 – 5 years | > 5 years |
|---|---|---|---|---|---|
| **Gross fulfilment** | | | | | |
| **Forward contracts** | 1 | 1 | 1 | 0 | 0 |
| Payment obligation | | 1,977 | 1,977 | | |
| Payment claim | | –1,977 | –1,977 | | |
| **Derivatives** | 1 | 1 | 1 | 0 | 0 |

The Group controls liquidity risks by maintaining credit lines and additional facilities with banks, by continuously tracking the forecasted and actual cash flows and by managing the maturity profiles of financial assets and liabilities. It is not expected that the cash outflows will occur at significantly different times or in significantly different amounts.

The credit line provided by Sartorius AG with a total amount of up to €260 million at variable interest rates had been utilized by an amount of €0 million as of December 31, 2020 (2019: €94.5 million). In addition, the Group had further short-term bilateral credit lines at variable interest rates at the reporting date amounting 41 million (2019: €35.2 million) which were used to the extent of €7 million (2019: €30.8 million).

Local cash funds in certain countries (e.g. China, India) are only available to the Group for cross-border transactions subject to exchange controls.

# 39. Credit Risk Management

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from cash and cash equivalents and trade receivables. In addition to that, the Group is exposed to credit risks arising from derivative financial instruments with positive fair values and, to a small extent, from contractual cash flows from debt securities.

Credit risk is controlled centrally for the Group by the Treasury Management unit. For counterparties such as banks and financial institutions the creditworthiness is continuously monitored in order to recognize increases in credit risks at an early stage. If no new information is obtained, the Group assumes that the related financial assets still have a low credit risk.

Customers are assigned risk limits that principally depend on the business volume, past experience and the financial position of the customer. Compliance with the limits is regularly reviewed by the management responsible. In some cases, the Group receives advance payments in order to avoid credit risks. There are no significant concentrations of credit risks from individual customers or regions.

For some trade receivables the Group may have collateral such as guarantees that can be used within the contractual agreements in case the counterparty does not meet its contractual payment obligations.

**Impairment of Trade Receivables and Contract Assets**

The impairment model of IFRS 9, which requires recognition of expected credit losses, is of particular relevance for the Group's trade receivables and contract assets according to IFRS 15. The Group applies the simplified approach according to IFRS 9 to trade receivables and contract assets. Accordingly, lifetime expected credit losses are recognized for these assets. The starting point of the impairment model is an analysis of the actual historical credit loss rates. These are adjusted, taking into consideration forward-looking information and the effects of current changes in the macroeconomic environment, if significant. Due to the immaterial level of historical credit losses the Group currently determines the expected credit losses for the Group's portfolio of trade receivables as a whole. However, historical loss rates are analyzed regularly in more detail in order to apply different loss rates to different portfolios, where appropriate. In 2020, no significant change regarding the credit risk of the Group's portfolio of biopharma customers was observed in line with the notion that the industry is not much affected by the pandemic crisis.

The contract assets are related to projects for typical customers of the Group. Therefore, it is assumed that the loss rates applied to trade receivables are appropriate approximations for the loss rates of the contract assets. Accordingly, there is no further differentiation between trade receivables and contract assets.

On this basis, the allowances for trade receivables and contract assets were determined as follows as of December 31, 2020and as of December 31, 2019:

| December 31, 2020<br>€ in K | Not due | 1 – 30 days overdue | 31 – 60 days overdue | 61-90 days overdue | More than 90 days overdue | **Total** |
|---|---|---|---|---|---|---|
| Gross carrying amount of trade receivables | 222,059 | 7,493 | 2,375 | 4,498 | 24,476 | 260,900 |
| Gross carrying amount of contract assets | 6,159 | 0 | 0 | 0 | 0 | 6,159 |
| Impairment loss allowance | 251 | 241 | 702 | 218 | 8,753 | 10,166 |
| December 31, 2019<br>€ in K | Not due | 1 – 30 days overdue | 31 – 60 days overdue | 61-90 days overdue | More than 90 days overdue | Total |
| Gross carrying amount of trade receivables | 152,745 | 22,384 | 15,954 | 7,189 | 20,673 | 218,946 |
| Gross carrying amount of contract assets | 8,530 | 0 | 0 | 0 | 0 | 8,530 |
| Impairment loss allowance | 82 | 12 | 524 | 158 | 5,450 | 6,226 |

The expected credit losses are determined based on a loss rate of 0.05%. In addition, impairments are determined on the basis of individual assessments. Days overdue are one essential criterion in this context.

A default is generally presumed when there is no reasonable expectation of recovering a financial asset. In such a case, the respective receivables are derecognized.

The movements in the allowance for impairment in respect of trade receivables and contract assets are presented below:

| € in K | **2020**<br>**12 months** | 2019<br>12 months |
|---|---|---|
| Valuation allowance at the beginning of the year | –6,226 | –3,617 |
| Increase during the year | –5,391 | –3,662 |
| Derecognition and consumption | 338 | 103 |
| Recoveries of amounts previously impaired | 2,353 | 981 |
| Foreign currency translation differences | 147 | –10 |
| Business combinations | –1,388 | –22 |
| **Valuation allowance at the end of the year** | **–10,166** | **–6,226** |

**Impairment of Other Financial Assets**

Besides trade receivables, cash and cash equivalents are the most material financial assets on the Group's statement of financial position as of the reporting date, December 31, 2020. The expected credit losses are monitored at regular intervals. Due to the high creditworthiness of the counterparties and the short maturities, the impairment which would have to be recognized for these financial assets is immaterial. Therefore, no impairment is recognized for cash and cash equivalents.

For the other financial assets measured at amortized cost no impairment is recognized as of December 31, 2020 for the twelve months expected credit losses due to immaterial historical credit losses. In the event of a significant increase in credit risk, which is generally presumed when a payment is more than 30 days past due, the lifetime expected credit losses are recognized for the respective financial asset. A default is generally presumed when there is no reasonable expectation of recovering a financial asset. This is generally presumed when payments are more than 90 days past due. As of the reporting date, there are no indications of increases in credit risk to a material extent. The carrying amounts of the financial assets reflect the maximum credit loss for these assets at the end of the reporting period.

## 40. Other Risks Associated with Financial Instruments

As of the reporting date, the Sartorius Stedim Biotech Group was not exposed to the risk of volatility in share prices. The only exception is related to the financial liability as a result of the contingent consideration agreement in connection with the acquisition of BIA Separations which depends on the share price development of Sartorius Stedim Biotech S.A. as a valuation parameter (see note 8).

## 41. Share-based Payments

On the level of Sartorius Stedim Biotech's majority shareholder Sartorius AG, share-based payments exist in the form of so-called phantom stock units. Under this plan the respective board member is granted a certain number of phantom stocks each year that represent an agreed amount of money. The exercise of these stocks is not possible before four years and is depending on certain requirements regarding the performance of the Sartorius AG shares.

When the stocks are paid out the amount is based on the share price at the exercise date. The payment is capped at an amount of 2.5 times the share price at the time these virtual options were granted. For further details please refer to the Remuneration Report.

The fair value of the phantom stock units is disclosed as follows:

| | Number of phantom stock units | Subscription price in € | Fair value when granted on Jan. 1 of the particular year € in K | **Fair value at year-end on Dec. 31, 2020 € in K** | Paid out € in K | Exercisable |
|---|---|---|---|---|---|---|
| Tranche of phantom stock units for 2016 | 3,484 | 57.41 | 200 | 0 | -500 | |
| Tranche of phantom stock units for 2017 | 2,950 | 70.51 | 208 | 520 | 0 | no |
| Tranche of phantom stock units for 2018 | 2,685 | 80.32 | 216 | 539 | 0 | no |
| Tranche of phantom stock units for 2019 | 2,884 | 113.78 | 328 | 821 | 0 | no |
| Tranche of phantom stock units for 2020 | 1,818 | 190.30 | 1,062 | 2,067 | 0 | no |
| **Total** | **13,821** | | | **3,947** | **-500** | |