



**sartorius stedim**  
biotech

Sartorius Stedim Biotech Group  
First-Half Financial Report from January to June 2014

2014

## Key Figures for the First Half of 2014

in millions of € unless otherwise specified	1st half 2014 € in mn	1st half 2013 € in mn	Growth in %	Growth in % (in const. currencies)
Order intake	338.4	311.5	8.7	10.7
Sales revenue	324.1	292.6	10.8	12.7
- Europe <sup>1)</sup>	159.2	146.0	9.1	8.5
- North America <sup>1)</sup>	90.8	73.1	24.2	28.6
- Asia   Pacific <sup>1)</sup>	64.1	60.1	6.7	12.1
- Other Markets <sup>1)</sup>	10.0	13.4	-25.1	-25.1
EBITDA <sup>2)</sup>	73.8	67.4	9.5	
EBITDA margin <sup>2)</sup> in %	22.8	23.0		
EBITA <sup>2)3)</sup>	62.5	57.4	9.0	
EBITA margin <sup>2)3)</sup> in %	19.3	19.6		
Net profit <sup>2)4)</sup>	40.7	38.0	7.1	
Earnings per share in € <sup>2)4)</sup>	2.65	2.47	7.1	

## Key Figures for the Second Quarter of 2014

in millions of € unless otherwise specified	2nd quarter 2014 <sup>1)</sup> € in mn	2nd quarter 2013 <sup>1)</sup> € in mn	Growth in %	Growth in % (in const. currencies)
Order intake	163.2	142.1	14.8	16.7
Sales revenue	170.2	154.6	10.1	11.9
- Europe <sup>1)</sup>	81.1	77.3	4.9	4.3
- North America <sup>1)</sup>	49.1	39.9	22.9	27.7
- Asia   Pacific <sup>1)</sup>	34.5	31.5	9.5	14.0
- Other Markets <sup>1)</sup>	5.6	5.9	-5.4	-5.3
EBITDA <sup>2)</sup>	40.5	38.6	4.8	
EBITDA margin <sup>2)</sup> in %	23.8	25.0		
EBITA <sup>2)3)</sup>	34.6	33.4	3.6	
EBITA margin <sup>2)3)</sup> in %	20.4	21.6		
Net profit <sup>2)4)</sup>	22.6	22.4	0.8	
Earnings per share in € <sup>2)4)</sup>	1.47	1.46	0.8	

<sup>1)</sup> Acc. to customers' location

<sup>2)</sup> Underlying (adjusted for extraordinary items)

<sup>3)</sup> Amortization refers only to amortization of intangible assets recognized in connection with purchase price allocation (PPA) according to IFRS 3

<sup>4)</sup> Underlying net profit after non-controlling interest and excluding amortization and fair value adjustments of hedging instruments

# Macroeconomic Environment and Sector Situation

## Macroeconomic Environment

The global economy continued to rebound in the first quarter of 2014 (most recent data) and, according to the information provided by the OECD, grew overall by 2.1%. In particular, positive development in the industrialized countries drove this improved growth momentum.

Euro-zone growth accelerated in the first quarter, up 1.4%. While this recovery was primarily fueled by Great Britain (+3.1%) and Germany (+2.3%), the second largest euro-zone economy, France, grew 0.8%. The economies in Greece and Italy continued to contract, at -1.1% and -0.5%, respectively.

The U.S. economy expanding at 2.3% showed a higher growth rate than in the year-earlier quarter (Q1 2013: +1.3%). This growth was driven particularly by private consumer spending.

According to the OECD, expansion in the emerging-market nations slowed at the beginning of 2014 compared with a year ago. Economic growth in China was thus 7.4%, down from 7.7% in the first quarter of 2013. The cyclical downturn in a few industries, among other factors, dampened expansion.

In the first quarter, Japan's economy saw a substantial gain of 2.7%, primarily fueled by a sharp increase in investments and private consumer spending before consumption tax was due to rise as of April 1.

Geopolitical risks, such as those associated with the crisis in the Ukraine, increased on the whole; however, they did not have any significant impact in the reporting period. The exchange rate of the euro to the U.S. dollar, at 1.37 as of June 30, 2014, remained unchanged from the year-end. In the reporting period, the global average interest rates continued to stay at historically low levels.

Sources: OECD: Quarterly National Accounts, May 2014; Eurostat: Flash estimate for the first quarter of 2014, May 2014; European Central Bank

## Sector Situation

Sartorius Stedim Biotech serves customers mainly in the biopharmaceutical industry, which makes its business particularly sensitive to the development of this industry.

According to the international market research institute, IMS Health, the global pharmaceutical market grew 3% to 4% in the past year and will expand by around 4% in 2014. Emerging-market countries are expected to contribute an above-average proportion to this growth.

Within the pharmaceutical market, biotechnology continues to be the segment that is projected to expand overproportionately, driven by many newly approved biopharmaceuticals and the extension of indications for medications already available. Thus, experts estimate that the proportion of sales generated by biomanufactured medicines has doubled over approximately the past ten years to around 23% in the current year. In the same period, the share of biologics among the top 100 drugs has increased from 17% to 39%.

Biotech production methods are more complex than are conventional chemical processes and, so far, have also proved more cost-intensive. This is why manufacturers and suppliers are continuously working on enhancing the efficiency and effectiveness of these biomanufacturing processes by providing more productive process engineering solutions. Single-use products enabling greater flexibility are playing a decisive role in this effort because they are capable of significantly reducing production costs by approximately 15% to 40%.

During the current fiscal year, many alliances and acquisitions have again shaped the global pharmaceutical industry. The major objectives of such transactions have been to accelerate the development of new medications, open up additional fields of business activity or to improve market position.

Basically, the ongoing consolidation of the pharmaceutical industry can have an impact on certain suppliers. For instance, the supplier structures of newly merged companies come under review and the number of suppliers may be reduced. Particularly those suppliers that have a strategically relevant product portfolio, strong application expertise, a global presence and an excellent track record have a favorable starting position.

Sources: IMS Health: The Global Use of Medicines: Outlook through 2017, November 2013; EvaluatePharma: World Preview 2018, September 2013

# Development and Outlook

- Strong growth in order intake and sales revenue
- Currency effects slightly dampen earnings growth; yet underlying EBITDA up 9.5%
- Group guidance confirmed and specified

## Order Intake and Sales Revenue

In the first half of 2014, the Sartorius Stedim Biotech Group reported strong growth in order intake, sales revenue and profit. Order intake rose against a strong prior-year base by 10.7% in constant currencies (cc) from €311.5 million to €338.4 million (reported: +8.7%).

Sales revenue rose 12.7% (cc) to €324.1 million (reported: +10.8%). The initial consolidation of TAP Biosystems, the cell culture media business and AllPure Technologies contributed around 10 percentage points overall to this sales growth. These newly acquired business activities showed positive development in the reporting period as expected. Organic growth was primarily driven by strong business with single-use products.

All regions contributed to this positive business performance. North America reported the highest growth momentum with an increase of 28.6%, which was mainly driven by recent acquisitions.

## Earnings Development

The Sartorius Stedim Biotech Group uses underlying EBITDA (earnings before interest, taxes, depreciation and amortization and adjusted for extraordinary items) as the key profitability indicator. In addition, we report EBITA adjusted for extraordinary items (underlying EBITA), where amortization in this context refers exclusively to the purchase price allocation to intangible assets acquired, as specified by IFRS 3.

In the first half of 2014, the Sartorius Stedim Biotech Group increased its underlying EBITDA by 9.5% to €73.8 million. The respective margin was influenced by product mix effects and reached 22.8% compared with 23.0% in the prior year.

Underlying EBITA was €62.5 million (margin: 19.3%), up 9.0% from €57.4 million in the previous year (margin: 19.6%). Extraordinary items for the reporting period amounted to -€2.2 million compared with -€0.6 million in H1 2013. These items were mainly related to the integration of TAP Biosystems and various cross-divisional projects. Consolidated EBIT, including all extraordinary items, depreciation and amortization, rose from €52.4 million to €55.0 million. The Group's EBIT margin was 17.0% after 17.9% in the prior year and reflects the increase in depreciation because of the significant investments made over the last few years.

The relevant net profit attributable to the shareholders of Sartorius Stedim Biotech for the reporting period totaled €40.7 million (H1 2013: €38.0 million). This profit figure is calculated by adjusting for extraordinary items, eliminating non-cash amortization and valuation adjustments from hedging instruments, as well as the corresponding tax effects for each of these items. Underlying earnings per share were €2.65, up from €2.47 a year earlier.

## Employees

As of June 30, 2014, the Sartorius Stedim Biotech Group employed a total of 3,628 people worldwide. Compared with December 31, 2013, head count thus rose by 144 or 4.1%. From a regional perspective, the increase in the workforce was focused on Europe and North America where we hired 64 and 60 additional staff, respectively.

# Assets and Financial Position

## Cash Flow

In the first half of 2014, the Sartorius Stedim Biotech Group significantly increased its net cash flow from operating activities to €39.8 million compared with €19.6 million a year ago. This gain was mainly driven by the more moderate increase in funds tied up in net working capital than that for the prior year.

As planned, net cash flow from investing activities was -€16.3 million, up from the year-earlier figure of -€14.2 million.

Acquisition activities in the reporting period accounted for -€4.3 million for the purchase of the majority stake in AllPure Technologies LLC. The previous year's figure of -€14.9 million was related to the acquisition of the cell culture media business.

Accordingly, net cash flow from investing activities and acquisitions was -€20.6 million relative to -€29.1 million in the first half of 2013. Thus, the Sartorius Stedim Biotech Group financed its investments entirely from operating cash flows.

## Consolidated Statement of Financial Position

The balance sheet total for the Sartorius Stedim Biotech Group rose to €908.1 million as of the period ended June 30, 2014, from €871.2 million as of December 31, 2013. This increase was primarily due to seasonal buildup of working capital and to investments in fixed assets.

Equity edged up from €481.8 million to €492.5 million between December 31, 2013, and the reporting date. At 54.2%, the equity ratio continued to remain at a comfortable level (December 31, 2013: 55.3%).

Gross debt rose from €165.6 million as of December 31, 2013, to €175.0 million as of June 30, 2014. In addition to the seasonal buildup in net working capital, dividend payments of €18.4 million (prior year: €16.9 million) are reflected in this figure. Net debt amounted to €132.1 million relative to €130.0 million as of December 31, 2013.

The gearing ratio, which is calculated as the ratio of net debt to equity, remained unchanged at 0.3.

The ratio of net debt to underlying EBITDA (based on the past 12 months) decreased slightly between December 31, 2013, and the reporting date from 1.0 to 0.9. The interest coverage ratio – the ratio of underlying EBITDA to interest payable in the past 12 months – continued to remain at a comfortable level, at 21.4 (December 31, 2013: 25.9).

# Opportunity and Risk Report

The opportunities and risk situation of the Sartorius Stedim Biotech Group has not materially changed since the publication of its 2013 Annual Report. For this reason, please refer to a detailed description of the opportunities and risks as well as the risk management system for the Sartorius Stedim Biotech Group on pp. 50 et seq. of the annual report called 2013 Reference Document.

## Forecast Report

### Future Macroeconomic Environment

Based on its most recent forecast, the International Monetary Fund (IMF) continues to expect the global economy to grow 3.6% in the current year. Therefore, global business activity is likely to recover further compared with 3.0% a year ago.

Economic expansion in the USA, where growth is projected at 2.8% due to strong exports and increases in inventory demand, will be higher than forecasted by the IMF back in October 2013. While the robust development of the euro-zone economy, especially in Germany and the U.K., have slightly raised growth expectations for 2014 to 1.2%, the IMF currently anticipates that the emerging and developing economies will expand 4.9% (October forecast: +5.1%).

According to IMF projections, the Japanese economy will see GDP growth of 1.0% relative to 1.2% in the previous year.

Concerning the interest rate and exchange rate environment, there have been no material changes to the information we provided in our 2013 Reference Document.

### Future Sector Environment

The trends described on pages 57-60 of our 2013 Reference Document continue to remain unchanged with respect to their impacts on the development of the Sartorius Stedim Biotech Group.

Overall growth of between 3% and 6% is thus forecasted for the global pharmaceutical industry in the period of 2012 to 2017. For the biopharma subsegment, market observers are projecting a CAGR of 6% to 8% in view of the further penetration of approved biopharmaceuticals, the expansion of their areas of indication and

the industry's strong research and development pipelines.

Sources: IMF: World Economic Outlook, April 2014; IMS: The Global Use of Medicines: Outlook through 2017, November 2013; Evaluate Pharma: Returning to Growth, June 2013; chemicalweek: Outlook 2014: Looking Forward, April 2014; Frost & Sullivan: 2014 Mid-year Report, April 2014.

### Assessment and Outlook for 2014

Based on its strong first-half business performance, the Sartorius Stedim Biotech Group confirmed and specified its full-year guidance.

Sales growth in constant currencies is now forecasted to reach the upper end of the 11% to 14% range projected so far. The underlying EBITDA margin expected for the full year remains unchanged at around 23.5% without any currency effects considered.

For 2014, the Sartorius Stedim Biotech Group continues to plan on investing about 6% to 8% of sales revenue in the expansion of our production capacities, among other projects.

Regarding the company's financial position, the Group maintains its expectation for the end of 2014: if the targets previously mentioned are achieved, the ratio of net debt to underlying EBITDA will edge down slightly, without any potential portfolio changes considered.

## Report on Material Events

The Sartorius Stedim Biotech Group has acquired a US start-up company AllPure Technologies LLC for an amount of 6 million USD. Please refer to the specific paragraph on this acquisition on page 16.

No other material events occurred after the end of the first half of 2014.

# Income Statement

	<b>2nd quarter 2014 € in mn</b>	2nd quarter 2013 € in mn	<b>1st half 2014 € in mn</b>	1st half 2013 € in mn
Sales revenue	<b>170.2</b>	154.6	<b>324.1</b>	292.6
Cost of sales	<b>-84.7</b>	-73.7	<b>-160.8</b>	-143.0
<b>Gross profit on sales</b>	<b>85.5</b>	<b>80.9</b>	<b>163.4</b>	<b>149.6</b>
Selling and distribution costs	-35.6	-33.5	-70.6	-64.8
Research and development costs	-9.3	-8.4	-19.6	-17.0
General administrative expenses	-9.3	-7.8	-18.8	-15.7
Other operating income and expenses	-0.8	-0.5	0.6	0.3
<b>Earnings before interest &amp; taxes (EBIT)</b>	<b>30.5</b>	<b>30.6</b>	<b>55.0</b>	<b>52.4</b>
Financial income	0.1	0.5	0.2	1.1
Financial expenses	-2.6	-1.6	-5.3	-3.8
<b>Financial result</b>	<b>-2.5</b>	<b>-1.0</b>	<b>-5.1</b>	<b>-2.7</b>
<b>Profit before tax</b>	<b>27.9</b>	<b>29.6</b>	<b>49.9</b>	<b>49.6</b>
Deferred tax income   expenses	0.8	-1.1	1.5	-0.9
Income tax expenses	-9.9	-7.3	-16.9	-13.5
<b>Taxes</b>	<b>-9.1</b>	<b>-8.4</b>	<b>-15.5</b>	<b>-14.4</b>
<b>Net profit for the period</b>	<b>18.9</b>	<b>21.2</b>	<b>34.5</b>	<b>35.2</b>
Attributable to:				
Shareholders of Sartorius Stedim Biotech	18.7	20.6	34.3	34.3
Non-controlling interest	0.1	0.6	0.2	0.9
Earnings per share (€)	1.22	1.34	2.23	2.24
Diluted earnings per share (€)	1.22	1.34	2.23	2.23

## Statement of Comprehensive Income

	2nd quarter 2014 € in mn	2nd quarter 2013 € in mn	1st half 2014 € in mn	1st half 2013 € in mn
Net profit for the period	18.9	21.2	34.5	35.2
Cash flow hedges	-1.7	2.0	-3.1	1.3
Income tax on cash flow hedges	0.5	-0.6	0.9	-0.4
Net investment in a foreign operation	-0.5	0.8	-0.5	-0.3
Income tax on net investment in a foreign operation	0.0	-0.2	0.0	0.1
Currency translation differences	2.9	-3.5	3.5	-1.3
Tax effects on items that probably will be reclassified in profit/loss	0.5	-0.8	0.9	-0.3
<b>Items that probably will be reclassified in profit/loss</b>	<b>1.3</b>	<b>-1.6</b>	<b>0.9</b>	<b>-0.6</b>
Actuarial gains   (losses) from pension provisions	0.0	0.0	0.0	0.0
Tax effects on items that will not be reclassified in profit/loss	0.0	0.0	0.0	0.0
<b>Items that will not be reclassified in profit/loss</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Other comprehensive result after tax</b>	<b>1.3</b>	<b>-1.6</b>	<b>0.9</b>	<b>-0.6</b>
<b>Total comprehensive income for the period</b>	<b>20.1</b>	<b>19.7</b>	<b>35.3</b>	<b>34.7</b>
Shareholders of Sartorius Stedim Biotech	19.8	19.2	35.0	33.9
Non-controlling interest	0.4	0.5	0.4	0.7



# Statement of Financial Position

Assets	June 30, 2014	Dec. 31, 2013
	€ in mn	€ in mn
<b>Non-current assets</b>		
Goodwill	307.1	303.0
Intangible assets	122.4	122.6
Property, plant and equipment	179.5	175.9
Financial assets	1.5	1.3
Deferred tax assets	10.0	9.4
Other assets	0.6	0.6
	<b>621.1</b>	<b>612.7</b>
<b>Current assets</b>		
Inventories	105.9	92.2
Trade receivables	114.8	107.6
Other financial assets	7.5	9.6
Current tax assets	7.5	8.1
Other assets	8.4	5.5
Cash and cash equivalents	43.0	35.6
	<b>287.0</b>	<b>258.5</b>
<b>Total assets</b>	<b>908.1</b>	<b>871.2</b>
<b>Equity and liabilities</b>	<b>June 30, 2014</b>	<b>Dec. 31, 2013</b>
	€ in mn	€ in mn
<b>Equity</b>		
Attributable to SSB shareholders	487.8	478.3
Issued capital	10.4	10.4
Capital reserves	278.8	278.8
Retained earnings (including net profit)	198.6	189.2
Non-controlling interest	4.7	3.5
	<b>492.5</b>	<b>481.8</b>
<b>Non-current liabilities</b>		
Pension provisions	23.6	22.6
Other provisions	3.0	3.0
Loans and borrowings	138.7	137.2
Other financial liabilities	46.0	37.3
Deferred tax liabilities	33.2	34.9
	<b>244.5</b>	<b>235.0</b>
<b>Current liabilities</b>		
Provisions	4.3	5.0
Trade payables	72.7	62.8
Loans and borrowings	36.4	28.4
Other financial liabilities	36.2	41.1
Current tax liabilities	9.2	4.5
Other liabilities	12.3	12.6
	<b>171.1</b>	<b>154.4</b>
<b>Total equity and liabilities</b>	<b>908.1</b>	<b>871.2</b>

# Statement of Cash Flows

	1st half 2014 € in mn	1st half 2013 € in mn
<b>Cash flows from operating activities</b>		
Profit before tax	49.9	49.6
Financial Result	5.1	2.7
<b>Earnings before interest &amp; taxes (EBIT)</b>	<b>55.0</b>	<b>52.4</b>
Depreciation   amortization of intangible and tangible assets	16.7	14.4
Increase   decrease in provisions	-0.6	0.1
Income taxes paid	-11.6	-12.9
<b>Gross cash flows from operating activities</b>	<b>59.5</b>	<b>54.0</b>
Increase   decrease in receivables and other assets	-8.5	-19.7
Increase   decrease in inventories	-12.5	-5.2
Increase   decrease in liabilities	1.3	-9.5
<b>Net cash flow from operating activities</b>	<b>39.8</b>	<b>19.6</b>
<b>Cash flows from investing activities</b>		
Capital expenditure	-20.7	-14.3
Proceeds from the disposal of fixed assets	0.7	0.2
Other payments	3.7	0.0
<b>Net cash flow from investing activities</b>	<b>-16.3</b>	<b>-14.2</b>
Payments for acquisitions of consolidated subsidiaries and other business operations; net of cash acquired	-4.3	-14.9
Proceeds from the disposal of consolidated subsidiaries and other business operations	0.0	0.0
<b>Net cash flow from investing activities and acquisitions</b>	<b>-20.6</b>	<b>-29.1</b>
<b>Cash flows from financing activities</b>		
Changes in capital	0.0	0.0
Interest received	0.2	0.2
Interest paid and other financial expenses	-2.7	-1.9
Dividends paid to:		
- Shareholders of Sartorius Stedim Biotech SA	-18.4	-16.9
- Non-controlling Interest	-0.4	-0.3
<b>Gross cash flows from financing activities</b>	<b>-21.3</b>	<b>-19.0</b>
Changes in non-controlling interest	0.0	0.0
Loans and borrowings repaid (-)   raised (+)	9.0	26.8
<b>Net cash flow from financing activities</b>	<b>-12.3</b>	<b>7.8</b>
Net increase   decrease in cash and cash equivalents	6.9	-1.6
Cash and cash equivalents at the beginning of the period	35.6	27.8
Net effect of currency translation on cash and cash equivalents	0.5	1.3
<b>Cash and cash equivalents at the end of the period</b>	<b>43.0</b>	<b>27.5</b>

# Statement of Changes in Equity

€ in millions	Issued capital	Capital reserves	Hedging reserves	Pension reserves	Retained earnings	Foreign currency translation reserves	Group equity	Non-controlling interest	Total equity
<b>Balance at Jan. 1, 2013</b>	<b>10.4</b>	<b>278.8</b>	<b>-1.3</b>	<b>-5.2</b>	<b>148.3</b>	<b>1.3</b>	<b>432.3</b>	<b>2.7</b>	<b>435.0</b>
Net profit for the period			0.0	0.0	34.3	0.0	34.3	0.9	35.2
<b>Other comprehensive result after tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>-0.2</b>	<b>-1.1</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-0.6</b>
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>34.1</b>	<b>-1.1</b>	<b>33.9</b>	<b>0.7</b>	<b>34.7</b>
Stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends					-16.9	0.0	-16.9	-0.3	-17.2
Other changes in equity					0.0	0.0	0.0	0.0	0.0
<b>Balance at June 30, 2013</b>	<b>10.4</b>	<b>278.8</b>	<b>-0.4</b>	<b>-5.2</b>	<b>165.5</b>	<b>0.2</b>	<b>449.3</b>	<b>3.1</b>	<b>452.5</b>
<b>Balance at Jan. 1, 2014</b>	<b>10.4</b>	<b>278.8</b>	<b>0.2</b>	<b>-4.4</b>	<b>199.0</b>	<b>-5.7</b>	<b>478.3</b>	<b>3.5</b>	<b>481.8</b>
Net profit for the period			0.0	0.0	34.3	0.0	34.3	0.2	34.5
<b>Other comprehensive result after tax</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.2</b>	<b>0.0</b>	<b>-0.5</b>	<b>3.3</b>	<b>0.7</b>	<b>0.2</b>	<b>0.9</b>
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.2</b>	<b>0.0</b>	<b>33.8</b>	<b>3.3</b>	<b>35.0</b>	<b>0.4</b>	<b>35.3</b>
Stock options	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
Dividends					-18.4		-18.4	-0.4	-18.8
Purchase price liability for non-controlling interest					-7.0		-7.0	0.0	-7.0
Change in non-controlling interest					0.0		0.0	1.2	1.2
Other changes in equity					0.0		0.0	0.0	0.0
<b>Balance at June 30, 2014</b>	<b>10.4</b>	<b>278.8</b>	<b>-1.9</b>	<b>-4.4</b>	<b>207.3</b>	<b>-2.3</b>	<b>487.8</b>	<b>4.7</b>	<b>492.5</b>

# Operating Segments

Internal management and reporting within Sartorius Stedim Biotech is based on the approach of operating as a "total solution provider" for our customers. Accordingly, one reportable operating segment has been identified by Sartorius Stedim Biotech: Biopharm.

The segment result that is the key profitability measure used internally is "underlying EBITDA", or earnings

before interest, taxes and depreciation and amortization and adjusted for extraordinary expenses. Therefore, taxes and financing expenses and income are not included in the segment's measure of profit or loss. The accounting and measurement principles for the segments correspond to the general Group accounting principles.

## Segment Information by Division

€ in millions	Biopharm   Group		
	1st half 2014	1st half 2013	Change
Sales revenue	324.1	292.6	11%
Underlying EBITDA	73.8	67.4	10%
- as a % of sales revenue	22.8%	23.0%	
EBIT	55.0	52.4	5%
- as a % of sales revenue	17.0%	17.9%	
No. of employees at June 30	3,628	3,156	15%

## Reconciliation of Segment Profit or Loss

€ in millions	1st half 2014	1st half 2013
Underlying EBITDA of the segment	73.8	67.4
Depreciation and amortization	-16.7	-14.4
Extraordinary effects	-2.2	-0.6
<b>EBIT</b>	<b>55.0</b>	<b>52.4</b>
Financial result	-5.1	-2.7
<b>Profit before tax</b>	<b>49.9</b>	<b>49.6</b>

## Supplementary Information by Region

€ in millions	Europe			North America		
	1st half 2014	1st half 2013	Change	1st half 2014	1st half 2013	Change
Sales revenue	159.2	146.0	9%	90.8	73.1	24%
- as a total %	49.1%	49.9%		28.0%	25.0%	
No. of employees at June 30	2,351	2,068	14%	583	432	35%

€ in millions	Asia   Pacific			Other Markets			Group		
	1st half 2014	1st half 2013	Change	1st half 2014	1st half 2013	Change	1st half 2014	1st half 2013	Change
Sales revenue	64.1	60.1	7%	10.0	13.4	-25%	324.1	292.6	11%
- as a total %	19.8%	20.5%		3.1%	4.6%		100.0%	100.0%	
No. of employees at June 30	492	457	8%	202	199	2%	3,628	3,156	15%

# Notes to the Interim Financial Statements

## Corporate Information

Sartorius Stedim Biotech is a leading provider of cutting-edge equipment and services for the development, quality assurance and production processes of the pharmaceutical industry. Its integrated solutions covering fermentation, filtration, purification, fluid management and lab technologies are supporting the biopharmaceutical industry around the world to develop and produce drugs safely, timely and economically. For next-generation processes, Sartorius Stedim Biotech focuses on single-use technologies and added-value services to meet and define the rapidly changing technology requirements of the industry it serves. Strongly rooted in the scientific community and closely allied with customers and technology partners, the company is dedicated to its philosophy of "Turning science into solutions."

Headquartered in Aubagne, France, Sartorius Stedim Biotech is listed on the Euronext Paris (ISIN code: FR 0000053266).

The interim condensed consolidated financial statements of the Group for the period from January 1, 2014, to June 30, 2014, were approved by the Board of Directors on July 17, 2014.

## Accounting Rules and Methods

The consolidated financial statements of the Sartorius Stedim Biotech Group for the period ended June 30, 2014, were prepared in conformance with the IAS 34 Standard "Interim financial reporting," of the IFRS reference system as adopted by the European Union. These first-half statements are condensed statements that do not include all the information required by the IFRS reference system and must be read in relation to the consolidated annual financial statements of the Sartorius Stedim Biotech Group for the year ended December 31, 2013.

The accounting principles retained for preparing the consolidated half-year statements are in conformance with the IFRS Standards and Interpretations as adopted by the European Union on June 30, 2014, and are available on the website:

[http://ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm)

The accounting principles maintained are identical to those used to prepare the annual consolidated financial statements for the year ended December 31, 2013, except for the new Standards and Interpretations adopted below as these are obligatory for the Group at the end of June 2014:

Standard	Title
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition Guidance
Amendments to IFRS 10, IFRS 12 and IAS 27	Investments Entities
Revised IAS 27	Separate Financial Statements
Revised IAS 28	Investments in Associates and Joint Ventures
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting

The Standards and Interpretations that had to be applied from January 1, 2014, onwards did not have any significant impact on the valuation and presentation of the financial statements.

The Group did not anticipate the adopted Standards and Interpretations, whose application was not obligatory as of June 30, 2014, or the Standards and Interpretations in the process of adoption by the European Commission.

The process of measuring the potential impact of these Standards and Interpretations on the consolidated financial statements of the Sartorius Stedim Biotech Group is in progress. The Group does not anticipate, at this stage of analysis, any significant impact on its consolidated accounts.

The Reference Document 2013 presents the list of subsidiaries (see page 114). The company AllPure Technologies LLC was included in the scope of consolidation in 2014 (interest percentage: 50.01%; full consolidation).

For calculation of income tax expenses, the provisions of IAS 34.30c) were adopted; i.e., the best estimate of the weighted average annual income tax rate expected for the full financial year was generally applied (29%).

#### Acquisition of AllPure Technologies LLC

On April 25, 2014, Sartorius Stedim Biotech acquired 50.01% of the U.S. startup AllPure Technologies LLC for an amount of 6 million U.S. dollars. The latter company based in New Oxford, Pennsylvania, USA, has been operating on the market for four years and in 2013 earned sales revenue of around 3 million U.S. dollars with 25 employees. AllPure specializes in single-use component solutions for biopharmaceutical applications and provides products that are comple-

mentary to the Group's portfolio in the Bioprocess Solutions segment.

The shares in Allpure remaining with the former owners will also be transferred to Sartorius Stedim Biotech by 2022 at the latest. The exact time of this acquisition, as well as the purchase price, depend on the future business performance of the entity purchased. The respective liability is recognized as the present value of the expected future payments and is disclosed as a financial liability in the amount of €7.1 million. The counterpart of this financial liability is recognized in equity according to the present access method.

The preliminary purchase price allocation was as follows:

	Preliminary purchase price allocation € in mn
Intangible and tangible assets	2.1
Inventories	0.5
Trade receivables and other assets	0.3
Cash and cash equivalents	0.0
Provisions and liabilities	-0.5
<b>Net assets acquired</b>	<b>2.4</b>
<b>- of which 50.01%</b>	<b>1.2</b>
<b>Purchase price</b>	<b>4.3</b>
<b>Goodwill</b>	<b>3.1</b>
<b>Non-controlling interest</b>	<b>1.2</b>

The goodwill recognized represents the assets that have not been separately identified and recognized, but that will also generate economic benefits to the Group. Here, especially the expansion of the Group's portfolio and its strengthened position in the relevant biopharmaceutical market as well as synergies resulting from the combination are to be named. The Sartorius Stedim Biotech Group has chosen to recognize the

amount of non-controlling interest at the level of the pro-rated share of net identifiable assets without goodwill (partial goodwill method).

Deferred taxes were not recognized upon initial consolidation due to the structure of the transaction. In future periods, deferred tax liabilities will be recognized on the arising taxable temporary difference, because the full amount of goodwill is deductible for local tax purposes.

The inclusion of the company in the scope of consolidation from January 1 on would not have had a significant impact on the Group's figures due to the low business volume of that activity. Since the acquisition date, the acquired company has not contributed materially to the Group's results either.

The transaction costs of €0.2 million were recognized in other expenses.

### **Related Parties**

The majority shareholder of Sartorius Stedim Biotech S.A. is Sartorius AG, which holds, either directly or indirectly through its subsidiary VL Finance S.A.S., a controlling stake in the company of 74% in equity capital and 85% of the voting rights (From which treasury shares were deducted in regards of the share buy back program). Shares in free float are 26%.

Transactions between Sartorius Stedim Biotech S.A. and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in these Notes to the Interim Financial Statements.

Several service and sublease agreements have been in place between the companies of the Sartorius Group (mainly the Lab Products & Services Division) and the Sartorius Stedim Biotech Group. These contracts that are based on arm's length terms include a sublease for office space and central administrative functions, such as accounting and controlling, human resource management and IT. In this respect, the relevant companies charge rent, salaries, social security costs and other expenses for such services as consulting as well as a pro-rated profit margin for the services they provide.

The most important contract in place is the one between Sartorius Stedim Biotech GmbH, Germany, and Sartorius Corporate Administration GmbH, Germany, a 100% affiliate of Sartorius AG. This company provides all central service and administrative functions to Sartorius Stedim Biotech GmbH as well as to Sartorius AG on arm's length terms.

### **Impairment Test**

As of June 30, 2014, we have not identified any assets impairment. Generally impairment tests have to be performed for goodwill and other assets with indefinite useful lives.

### **Earnings Reporting**

As of 2013, Sartorius Stedim Biotech has been using the indicator "underlying EBITDA" as the key figure for measuring earnings. The key indicator "EBITDA" refers to earnings before interest, taxes, depreciation and amortization. The key indicator "underlying EBITDA" corresponds to the key indicator EBITDA adjusted for extraordinary expenses considered during the relevant period.

### **Share Buyback Program**

The AGM held on April 19, 2010, authorized the company Sartorius Stedim Biotech S.A. to introduce its own share buyback program for a maximum duration of eighteen (18) months or until the October 19, 2011.

At the end of June 2014, the number of shares held has not changed since the December 31, 2011; namely, the company Sartorius Stedim Biotech S.A. bought back 1,698,710 treasury shares for an amount of €61.3 million.

### **Financial Instruments**

The following table compares the carrying amounts of financial assets and liabilities for each category of financial instruments with their fair values.



	Category acc. to IAS 39	June 30, 2014 Carrying amount € in mn	June 30, 2014 Fair value € in mn	Dec. 31, 2013 Carrying amount € in mn	Dec. 31, 2013 Fair value € in mn
<b>Trade receivables</b>	<b>Loans and receivables</b>	<b>114.8</b>	<b>114.8</b>	<b>107.6</b>	<b>107.6</b>
Investments in non-consolidated subsidiaries	Available for sale	1.5	1.5	1.3	1.3
Other financial assets	Loans and receivables	6.9	6.9	6.7	6.7
Derivative financial instruments	Held for trading	0.0	0.0	0.0	0.0
Derivative financial instruments	Hedging Instruments	0.5	0.5	2.9	2.9
<b>Other financial assets</b>		<b>9.0</b>	<b>9.0</b>	<b>10.9</b>	<b>10.9</b>
<b>Cash and cash equivalents</b>	<b>Loans and receivables</b>	<b>43.0</b>	<b>43.0</b>	<b>35.6</b>	<b>35.6</b>
Loans and borrowings	Financial liabilities at cost	156.5	157.5	147.0	147.7
Finance lease liabilities	IFRS 7	18.5	19.5	18.6	18.3
<b>Loans and borrowings</b>		<b>175.0</b>	<b>177.0</b>	<b>165.6</b>	<b>165.9</b>
Trade payables	Financial liabilities at cost	51.3	51.3	48.1	48.1
Trade payables	Not IFRS 7	21.3	21.3	14.7	14.7
<b>Trade payables</b>		<b>72.7</b>	<b>72.7</b>	<b>62.8</b>	<b>62.8</b>
Derivative financial instruments	Held for trading	0.1	0.1	0.0	0.0
Derivative financial instruments	Hedging Instruments	3.4	3.4	2.7	2.7
Other financial liabilities	Financial liabilities at cost	55.5	58.4	61.5	67.4
Other financial liabilities	Not IFRS 7	16.2	16.2	14.3	14.3
AllPure liability	IFRS 7	7.1	7.1	0.0	0.0
<b>Other liabilities</b>		<b>82.2</b>	<b>85.2</b>	<b>78.5</b>	<b>84.4</b>

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 7.

Level 1 financial instruments are calculated on the basis of prices quoted on active markets for identical assets and liabilities. In Level 2, financial instruments are calculated on the basis of input factors which are derivable from observable market data or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors that cannot be derived from observable market data.

For the equity investments measured at acquisition cost (financial assets), it is not possible to determine fair values reliably due to the absence of active markets. This applies mainly to shares in non-consolidated subsidiaries. It is assumed that the carrying amounts correspond to the fair values as of the reporting date.

The financial instruments to be recognized at fair value on the reporting date are exclusively derivatives in the form of forward contracts and interest rate swaps. They were measured on the basis of their quoted exchange rates and market yield curves, taking counterparty risks into account (Level 2).

The fair values to be disclosed for financial liabilities recognized at amortized cost, especially liabilities to banks and those related to note loans ("Schuldscheindarlehen"), were measured on the basis of the market interest rate curve according to the zero coupon method, taking the current indicative credit spreads into account (Level 3).

The fair values of the remaining financial assets and liabilities to be disclosed approximate the carrying amounts on account of their predominantly short-term maturity.

### Other Disclosures

In the reporting period, Sartorius Stedim Biotech S.A. paid a dividend total of €18.4 million.

Level of audit procedures:

- December 31, 2013: audit
- June 30, 2014: limited review
- Quarterly information: not audited

# Statutory Auditors' Review Report on the First-Half Financial Information 2014

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Sartorius Stedim Biotech, for the period from January 1 to June 30, 2014,
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

## Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

## Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly consolidated financial statements.

Marseille, July 22, 2014

The Statutory Auditors

Ernst & Young Audit      Deloitte & Associés

Xavier Senent      Christophe Perrau

# Information on the First-Half Financial Report

## **Declaration of Responsibility for the First-Half Financial Report**

I certify, to the best of my knowledge, that the condensed financial statements for the first half ended June 30, 2014, have been prepared in accordance with the applicable accounting standards and give a fair view of the assets, the financial position and the results of the company and of the group of companies included in the consolidation, and that the first-half financial report on pages 2 to 15 presents a fair review of the important events that occurred during the first six months of the financial year, including their effects on the accounts, and of the major transactions between the related parties as well as of the description of the main risks and uncertainties for the remaining six months of the financial year.



Joachim Kreuzburg  
CEO of the Sartorius Stedim  
Biotech Group

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## Financial Schedule

### September 11, 2014

Sartorius Capital Markets Day in Goettingen, Germany

### October 21, 2013

Publication of nine-month figures for 2014

### January 2015

Publication of preliminary figures for fiscal 2014

### April 7 2015

Annual General Shareholders' Meeting in  
Aubagne, France

### April 2015

Publication of first-quarter figures for 2015

This is a translation of the original French-language first-half financial report "Rapport financier semestriel." Sartorius Stedim Biotech S.A. shall not assume any liability for the correctness of this translation. The original French interim report is the legally binding version. Furthermore, Sartorius Stedim Biotech S.A. reserves the right not to be responsible for the topicality, correctness, completeness or quality of the information provided. Liability claims regarding damage caused by the use of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected.

### Forward-looking Statements Contain Risks

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

Throughout the entire report, differences may be apparent as a result of rounding during addition.