Sartorius in Denver, USA | Yauco, Puerto Rico

Sartorius Group
Nine-Month Report
January to
September 2005

sartorius

Business Development and Outlook

Sales Revenue and Order Intake

In the first nine months of fiscal 2005, Group sales revenue rose 4.7% to €353.5 million from €337.5 million a year earlier. On the basis of constant currencies, sales revenue increased 5.6%.

Because of the highly dynamic sales development in our filter business with customers from the biopharmaceutical industry, we were able to boost the Biotechnology Division's sales revenue 8.3% to €185.0 million from €170.8 million a year ago. Currency-adjusted sales revenue grew 9.2%.

In the first three quarters, sales revenue for the Mechatronics Division rose 1.1% to €168.5 million from €166.6 million the previous year. On the basis of constant currencies, sales revenue was up 1.8%. Within the Mechatronics Division, we increased sales revenue in all business areas.

With a currency-adjusted sales increase of 8.5%, we grew the strongest in the Asia | Pacific region. In Europe as well, we posted a substantial 7.3% gain in sales revenue on the basis of constant exchange rates. In North America, we grew significantly in the filter business and satisfactorily in the mechatronics business. As a result of the unsatisfactory sales revenue development in the project business with fermenters and bioreactors, currency-adjusted sales revenue in this region slipped 0.5%. To counteract this, we have already implemented or initiated operating and strategic measures.

: Group sales revenue rose 4.7%; currency-adjusted figure up 5.6%

: Order intake up 5.1%; currency-adjusted figure up 5.8%

: EBITDA climbed 8.2% to €39.6 million; EBIT up 25.6%, attaining €25.5 million

: Debt further reduced

: U.S. applications specialist Omnimark acquired

: Full-year targets confirmed

Virosart virus clearance filter

Third-quarter order intake at the Sartorius Group level surged, and at €365.3 million, the nine-month level is 5.1% above the year-earlier figure of €347.6 million. Currency-adjusted order intake climbed 5.8%.

Whereas order intake in our filter business with customers from the biopharmaceutical industry grew significantly, orders allocated to the fermenter and bioreactor business decreased. Overall, order intake for the Biotechnology Division increased 7.4% to €189.9 million from €176.9 million a year ago. Currency-adjusted order intake for the division jumped 8.1%.

Order intake for the Mechatronics Division rose 2.8% to €175.4 million from €170.7 million a year earlier. On the basis of unchanged currencies, order intake increased 3.4%. Particularly in the industrial scale business, we reported a positive order intake development.

Balance from the Extend series

Earnings Development

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 8.2% in the first nine months of fiscal 2005 to €39.6 million from €36.6 million the previous year. In the same period, earnings before interest and taxes (EBIT) surged 25.6% to €25.5 million, up from €20.3 million a year earlier. As goodwill amortization ceased to be applied (previous year: €1.9 million), this also had a positive impact on EBIT development. The Group EBIT margin improved from 6.0% to 7.2%. Therefore, earnings are within the range of our expectations.

Because of the highly positive development in the filter business with biopharmaceutical customers, EBIT for the Biotechnology Division jumped significantly from €10.2 million to €15.2 million (+48.2%). This corresponds to an EBIT margin of 8.2% (previous year: 6.0%).

For the Mechatronics Division, EBIT at €10.3 million was slightly above the previous year's level of €10.1 million. The EBIT margin for this division is 6.1% (previous year: 6.0%).

Net profit for the Group soared 43.8% from €9.4 million to €13.5 million. Earnings per share improved accordingly from €0.55 to €0.79.

Outlook

On the basis of the nine-month figures for 2005, we continue to adhere to our growth and earnings targets for the current year. We expect a further increase in earnings to an EBIT of over eight percent of consolidated sales revenue and full-year growth below the rate of the first nine months.

Capital Expenditures, Cash Flow and Finances

At €34.5 million, cash earnings according to the DVFA | SG* reported as of September 30, 2005, were significantly higher than the previous year's level of €30.5 million. Cash flow from working capital was negative at –€6.0 million (year earlier: €1.2 million). This was due to the increase in inventories, which was triggered by sales growth, along with the simultaneous decrease in liabilities. Cash flows from operating activities at €24.5 million were accordingly below the previous year's figure of €30.8 million.

Cash flows from investing activities at –€10.8 million were higher than those of the year-earlier period (–€9.0 million). This was due to the acquisition of Omnimark, among other things. At €10.0 million, capital expenditures were also higher than in the previous year (€8.9 million). The investment ratio was 2.8% following 2.6% a year ago.

Nine-month net cash flow was €13.7 million (previous year: €21.8 million). We predominantly used this to pay dividends and to reduce bank liabilities.

As of September 30, 2005, we were able to cut back our gross debt to €81.2 million (December 31, 2004: €85.6 million). With cash and cash equivalents of €7.5 million, net debt was €73.6 million (December 31, 2004: €78.9 million).

Sartorius Group equity rose to €144.2 million as of September 30, 2005, and is thus €7.7 million higher than at the beginning of the year. The equity ratio improved to 39.4% (December 31, 2004: 38.2%).

Research and Development

We increased spending on research and development in the first three quarters of fiscal 2005 by 29.2% to €24.3 million from €18.8 million a year earlier; approximately a third of this increase was due to the addition of expenses formerly reported as general administrative expenses. The ratio of R&D costs to sales revenue rose from 5.6% to 6.9%.

* DFVA | SG = German Association of Financial Analysis and Asset Management; SG = investment consultants

Employees

During the first nine months, the number of our Group-wide employees grew slightly to 3,631 from 3,618 as of December 31, 2004. This increase can be particularly attributed to the employment of new staff at subsidiaries in the Asia | Pacific region, whereas the workforce in Europe remained nearly constant, and the head count in North America dropped slightly on account of adjustments in capacity for the fermenter and bioreactor business. At the Sartorius Group, a further 215 persons have been completing vocational training, have been on a leave of absence or have been taking part in early retirement programs.

Omnimark Acquisition

On October 1, 2005, Sartorius acquired a 100% stake in Omnimark Instrument Corporation based in Tempe, Arizona, USA. Omnimark distributes special moisture analyzers for quality assurance in the chemical and food industries and, moreover, offers sophisticated, application-related services. Founded in 1991, the company, which has been owned so far by a family as the major shareholder, has been supplying its customers with Sartorius equipment for years. With sales revenue totaling approx. U.S. $3 million, Omnimark is the market leader in the premium moisture analyzer segment in North America.

Meteor load cells

Balance Sheet

Assets	September 2005 € in mn	%	December 2004 € in mn	%	September 2004 € in mn	%
Non-current assets						
Intangible assets	32.0	8.7	31.2	8.7	30.1	8.3
Property, plant and equipment	119.9	32.8	124.2	34.8	126.1	34.7
Financial assets	4.4	1.2	3.1	0.9	3.5	1.0
	156.3	42.7	158.5	44.4	159.8	44.0
Non-current trade and other receivables	2.1	0.6	3.3	0.9	2.3	0.6
Deferred tax assets	18.1	5.0	16.7	4.7	19.5	5.4
	176.5	**48.2**	**178.5**	**50.0**	**181.6**	**50.0**
Current assets						
Inventories	73.9	20.2	69.1	19.4	82.0	22.6
Current trade and other receivables	106.1	29.0	101.0	28.3	91.9	25.3
Cash and cash equivalents	7.5	2.1	6.7	1.9	6.0	1.7
Prepaid expenses	1.7	0.5	1.7	0.5	1.5	0.4
	189.3	**51.8**	**178.5**	**50.0**	**181.4**	**50.0**
Total assets	**365.8**	**100.0**	**357.0**	**100.0**	**363.1**	**100.0**

Equity and Liabilities	September 2005 € in mn	%	December 2004 € in mn	%	September 2004 € in mn	%
Equity						
Issued capital	17.0	4.7	17.0	4.8	17.0	4.7
Capital reserves	87.0	23.8	87.0	24.4	87.0	24.0
Earnings reserves and retained profits (incl. net profit)	40.3	11.0	32.5	9.1	30.0	8.3
Minority interest	−0.1	0.0	0.0	0.0	0.2	0.1
	144.2	**39.4**	**136.5**	**38.2**	**134.2**	**37.0**
Special item for investment subsidies	**4.0**	**1.1**	**4.3**	**1.2**	**4.3**	**1.2**
Non-current liabilities						
Provisions for post-employment benefits	28.3	7.7	27.9	7.8	27.7	7.6
Provisions for deferred taxes	13.7	3.8	14.3	4.0	14.2	3.9
Other non-current provisions	8.5	2.3	8.2	2.3	7.0	1.9
Liabilities to banks	55.7	15.2	52.6	14.7	74.9	20.6
Other non-current liabilities	0.3	0.1	0.1	0.0	0.5	0.1
	106.7	**29.2**	**103.2**	**28.9**	**124.3**	**34.2**
Current liabilities						
Tax provisions	8.5	2.3	6.9	1.9	5.7	1.6
Other current provisions	10.3	2.8	9.0	2.5	12.5	3.4
Liabilities to banks	25.4	7.0	33.0	9.2	23.4	6.4
Trade payables	22.6	6.2	28.3	7.9	21.8	6.0
Other current liabilities	43.9	12.0	35.9	10.1	36.8	10.1
	110.9	**30.3**	**113.0**	**31.7**	**100.2**	**27.6**
Total equity and liabilities	**365.8**	**100.0**	**357.0**	**100.0**	**363.1**	**100.0**

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

Income Statement

	3rd quarter 2005		3rd quarter 2004		9-month 2005		9-month 2004	
	€ in mn	%	€ in mn	%	€ in mn	%	€ in mn	%
Sales revenue	**120.3**	**100.0**	**115.1**	**100.0**	**353.5**	**100.0**	**337.5**	**100.0**
Cost of sales	63.7	52.9	61.7	53.5	190.4	53.9	178.8	53.0
Gross profit	**56.6**	**47.1**	**53.5**	**46.5**	**163.1**	**46.1**	**158.7**	**47.0**
Selling and distribution costs	29.7	24.7	27.5	23.8	88.3	25.0	85.9	25.5
Research and development costs	7.4	6.2	6.4	5.5	24.3	6.9	18.8	5.6
General administrative expenses	8.5	7.1	10.2	8.9	26.8	7.6	30.9	9.2
Other operating income	3.1	2.6	3.8	3.3	9.7	2.7	8.5	2.5
Other operating expenses	3.5	2.9	4.0	3.4	8.0	2.3	9.4	2.8
Amortization of goodwill	0.0	0.0	0.6	0.5	0.0	0.0	1.9	0.6
EBIT	**10.6**	**8.8**	**8.7**	**7.5**	**25.5**	**7.2**	**20.3**	**6.0**
Interest and similar income	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0
Interest and similar expenses	0.7	0.6	1.6	1.4	2.6	0.7	3.8	1.1
Profit before tax	**9.9**	**8.2**	**7.0**	**6.1**	**23.0**	**6.5**	**16.6**	**4.9**
Income tax expense	–1.1	–0.9	–2.1	–1.8	–6.5	–1.8	–4.7	–1.4
Other taxes	–0.2	–0.2	–0.3	–0.2	–0.7	–0.2	–0.7	–0.2
Deferred taxes	–2.8	–2.3	–0.6	–0.5	–2.4	–0.7	–1.8	–0.5
Net profit for the period	**5.8**	**4.9**	**4.0**	**3.5**	**13.5**	**3.8**	**9.5**	**2.8**
Minority interest	–0.1	–0.1	0.0	0.0	–0.1	0.0	0.1	0.0
Net profit after minority interest	**6.0**	**5.0**	**4.0**	**3.5**	**13.5**	**3.8**	**9.4**	**2.8**
Earnings per ordinary share (€)	**0.34**		**0.23**		**0.79**		**0.55**	
Earnings per preference share (€)	**0.34**		**0.23**		**0.79**		**0.55**	

Cash Flow Statement

	9-month 2005 € in mn	9-month 2004 € in mn
Profit before income taxes (after deferred taxes)	**20.0**	14.1
Portion of minority interest in the net profit	**–0.1**	0.1
Depreciation of fixed assets	**14.1**	16.3
Change in non-current provisions	**0.8**	0.4
Other important expenses and income that do not affect cash payments	**–0.3**	–0.3
+ Cash earnings acc. to the DVFA | SG*	**34.5**	30.5
Change in current provisions	**2.1**	3.0
Change in inventories	**–3.1**	–14.0
Change in trade and other receivables incl. prepaid expenses	**0.1**	8.5
Change in liabilities (excluding liabilities to banks)	**–5.0**	3.8
+/– Cash flow from working capital	**–6.0**	1.2
Interest income	**–0.1**	–0.1
Interest expenses	**2.6**	3.8
Income taxes paid	**–6.5**	–4.7
= Cash flows from operating activities	**24.5**	30.8
Proceeds from fixed asset disposals	**0.5**	0.2
Payments for intangible assets	**–3.7**	–2.3
Payments for property, plant and equipment	**–6.2**	–6.7
Payments for financial assets	**–1.3**	–0.3
Effects of changes in the number of companies consolidated	**0.0**	0.0
+/– Cash flows from investing activities	**–10.8**	–9.0
= Net cash flow	**13.7**	21.8
Dividends paid	**–7.0**	–4.3
Interest income	**0.1**	0.1
Interest expenses	**–2.6**	–3.8
Change in minority interest	**0.0**	0.0
Repayment of financial liabilities	**–5.6**	–16.2
+/– Cash flows from financing activities	**–15.1**	–24.1
+/– Change due to currency translation	**2.2**	–0.6
= Change in cash and cash equivalents	**0.8**	–2.9
Cash and cash equivalents at beginning of period	**6.7**	9.0
Cash and cash equivalents	**7.5**	6.0
Gross debt owed to banks	**81.2**	98.2
Net debt owed to banks	**73.6**	92.1

* DFVA | SG = German Association of Financial Analysis and Asset Management; SG = investment consultants

Segment Reports

By Division

€ in mn	Biotechnology Sept. 2005	Sept. 2004	Δ	Mechatronics Sept. 2005	Sept. 2004	Δ	Group Sept. 2005	Sept. 2004	Δ
Order intake	**189.9**	176.9	7%	**175.4**	170.7	3%	**365.3**	347.6	5%
Sales revenue	**185.0**	170.8	8%	**168.5**	166.6	1%	**353.5**	337.5	5%
As a total %	**52%**	51%		**48%**	49%		**100%**	100%	
EBITDA	**24.1**	20.2	19%	**15.5**	16.3	–5%	**39.6**	36.6	8%
As a % of sales revenue	**13.0%**	11.8%		**9.2%**	9.8%		**11.2%**	10.8%	
Depreciation	**8.9**	10.0	–10%	**5.1**	6.3	–18%	**14.1**	16.3	–14%
EBIT	**15.2**	10.2	48%	**10.3**	10.1	3%	**25.5**	20.3	26%
As a % of sales revenue	**8.2%**	6.0%		**6.1%**	6.0%		**7.2%**	6.0%	
R&D costs	**13.5**	9.3	45%	**10.7**	9.5	13%	**24.3**	18.8	29%
No. of employees at September 30	**1,623**	1,581	3%	**2,008**	1,969	2%	**3,631**	3,550	2%

By Region

€ in mn	Europe Sept. 2005	Sept. 2004	Δ	North America Sept. 2005	Sept. 2004	Δ
Sales revenue						
– acc. to customers' location	**207.8**	193.9	7%	**69.7**	72.2	–3%
As a total %	**59%**	57%		**20%**	21%	
– acc. to company location	**240.1**	228.7	5%	**69.5**	71.5	–3%
EBITDA	**27.9**	25.2	11%	**5.7**	6.6	–14%
As a % of sales revenue	**11.6%**	11.0%		**8.2%**	9.3%	
Depreciation	**13.0**	14.6	–11%	**0.6**	1.2	–46%
EBIT	**14.9**	10.7	40%	**5.1**	5.5	–7%
As a % of sales revenue	**6.2%**	4.7%		**7.3%**	7.6%	
R&D costs	**23.2**	18.2	28%	**0.7**	0.6	16%
No. of employees at Septemer 30	**2,548**	2,559	0%	**432**	454	–5%

€ in mn	Asia | Pacific Sept. 2005	Sept. 2004	Δ	Other Markets Sept. 2005	Sept. 2004	Δ	Group Sept. 2005	Sept. 2004	Δ
Sales revenue									
– acc. to customers' location	**66.8**	61.8	8%	**9.2**	9.6	–4%	**353.5**	337.5	5%
As a total %	**19%**	18%		**3%**	3%		**100%**	100%	
– acc. to company location	**43.9**	37.4	18%	**0.0**	0.0		**353.5**	337.5	5%
EBITDA	**5.9**	4.7		**0.0**	0.0		**39.6**	36.6	8%
As a % of sales revenue	**13.4%**	12.5%		**–**	–		**11.2%**	10.8%	
Depreciation	**0.4**	0.5	–15%	**0.0**	0.0		**14.1**	16.3	–14%
EBIT	**5.5**	4.2	30%	**0.0**	0.0		**25.5**	20.3	26%
As a % of sales revenue	**12.4%**	11.2%		**–**	–		**7.2%**	6.0%	
R&D costs	**0.4**	0.0		**0.0**	0.0		**24.3**	18.8	29%
No. of employees at September 30	**651**	537	21%	**0**	0		**3,631**	3,550	2%

Statement of Changes in Equity

€ in mn	Issued capital	Capital reserves	Hedging reserves	Earnings reserves and retained profits	Difference resulting from currency translation	Group shares	Minority interest	Total
Balance at January 1, 2004	**17.0**	**87.0**	**0.0**	**31.1**	**–6.4**	**128.7**	**0.2**	**128.9**
Net profit for the period				9.4		9.4	0.1	9.5
Dividends				–4.3		–4.3		–4.3
Currency translation differences					0.2	0.2	0.0	0.1
Balance at September 30, 2004	**17.0**	**87.0**	**0.0**	**36.2**	**–6.3**	**134.0**	**0.2**	**134.2**

€ in mn	Issued capital	Capital reserves	Hedging reserves	Earnings reserves and retained profits	Difference resulting from currency translation	Group shares	Minority interest	Total
Balance at January 1, 2005	**17.0**	**87.0**	**0.0**	**42.1**	**–9.6**	**136.5**	**0.0**	**136.5**
Net profit for the period				13.5		13.5	–0.1	13.5
Dividends				–7.0		–7.0		–7.0
Increase in fair value of hedging derivatives			–4.1			–4.1		–4.1
Currency translation differences					5.4	5.4	0.0	5.4
Balance at September 30, 2005	**17.0**	**87.0**	**–4.1**	**48.6**	**–4.2**	**144.3**	**–0.1**	**144.2**

The interim financial statements for the period ended September 30, 2005, and the consolidated financial statements for the financial year 2004 were prepared in accordance with the accounting standards of the International Accounting Standards Board (IASB) – the International Financial Reporting Standards (IFRS), observing all IFRS | IAS to be applied effective September 30, 2005, and the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC). At variance with the rules valid on December 31, 2004, IFRS 3 stipulates that as of the financial year 2005, goodwill from capital consolidation is no longer to be amortized. Furthermore, within the scope of the IASB Improvement Project, this Interim Report now reflects the changes in IAS 1 concerning the structure of the balance sheet for distinction of current and non-current items. The previous year's figures have been adjusted accordingly. In addition, cost reporting has been changed so that former components of the general administrative expenses are now allocated to the cost of sales. Furthermore, the rules for hedge accounting were applied. As a result, if the prerequisites are met, changes in the fair value of our hedging instruments are no longer reported as expenses or income in the income statement; rather, they have an impact on the equity reserves. Apart from these changes, the same accounting and measurement principles have been used as those for the previous Group financial statements of fiscal 2004. The accounting and measurement principles applied are individually explained in the Notes to the Financial Statements of the Group for the year ended December 31, 2004. For the first time, Sartorius Sdn. Bhd. headquartered in Kuala Lumpur, Malaysia, was included on March 31, 2005, in the group of companies consolidated.

Key Figures

All figures are given in millions of €, unless otherwise specified	**9-month 2005**	9-month 2004	Change in %
Results			
Order intake	**365.3**	347.6	5%
Sales revenue	**353.5**	337.5	5%
EBITDA	**39.6**	36.6	8%
EBIT	**25.5**	20.3	26%
Profit before tax	**23.0**	16.6	39%
Net profit for the period	**13.5**	9.4	44%
Earnings per share in €	**0.79**	0.55	44%
As a % of sales revenue			
EBITDA	**11.2%**	10.8%	
EBIT	**7.2%**	6.0%	
Profit before tax	**6.5%**	4.9%	
Net profit	**3.8%**	2.8%	
Finances and capital expenditures			
Cash earnings acc. to the DVFA | SG*	**34.5**	30.5	13%
Depreciation	**14.1**	16.3	–13%
Net cash flow	**13.7**	21.8	–37%
Capital expenditures	**10.0**	8.9	12%
As a % of sales revenue	**2.8%**	2.6%	
Net debt	**73.6**	92.1	–20%
Employees			
Total as of reporting date	**3,631**	3,550	2%
– Sartorius AG	**1,457**	1,544	–6%
– Subsidiaries	**2,174**	2,006	8%
R&D			
R&D costs	**24.3**	18.8	29%
As a % of sales revenue	**6.9%**	5.6%	

* DFVA | SG = German Association of Financial Analysis and Asset Management; SG = investment consultants

Contacts

Sartorius AG
Weender Landstrasse 94–108
37075 Goettingen, Germany

Phone +49.551.308.0
Fax +49.551.308.3289
www.sartorius.com

Investor Relations

Heiko Imöhl
Vice President
Phone +49.551.308.4034
heiko.imoehl@sartorius.com

Andreas Wiederhold
Phone +49.551.308.1668
andreas.wiederhold@sartorius.com

Corporate Communications

Petra Kirchhoff
Vice President
Phone +49.551.308.1686
petra.kirchhoff@sartorius.com

Dominic Grone
Phone +49.551.308.3324
dominic.grone@sartorius.com

Home Pages and E-mail Addresses for Information on Specific Topics

www.sartorius.com

Biotechnology
info.biotech@sartorius.com

Mechatronics
info.weighing@sartorius.com
info.bearings@sartorius.com

Financial Schedule

October 20–21, 2005
Roadshows in Paris, France, and London, U.K.

November 5, 2005
Presentation of the company at the Börsentag (info day for investors at the Stock Exchange) in Hanover, Germany

November 23, 2005
Presentation of the company at the German Equity Forum in Frankfurt am Main, Germany

March 15, 2006
Annual press conference in Goettingen, Germany

April 20, 2006
Three-month report 2006 due to be published

April 26, 2006
Annual Shareholders' Meeting in Goettingen, Germany