



# Innovation for Further Growth

Annual Report 2017

# Our Competence Areas in the Life Science Laboratory

## Liquid Handling



Pipettes



Pipette tips



Automated liquid handling



Dispensers



Combitips®



Pipette controllers



Bottletop dispensers and burettes

## Cell Handling



Fermentors and bioreactors



Single-use reactors



Cell culture and imaging consumables



CO<sub>2</sub> incubators



Biological shakers



Micromanipulators and injectors



Electroporators

## Sample Handling



Centrifuges and vacuum concentrators



Rotors and accessories



Mixers and temperature control systems



Thermal cyclers



Photometers



Ultra-low temperature freezers



Multiwell plates



Sample prep tubes

Liquid handling, cell handling, and sample handling – Eppendorf is a life science company that develops, produces, and distributes systems for use in laboratories worldwide. Its product range includes pipettes and automated pipetting systems, dispensers, centrifuges, and mixers as well as consumables such as tubes and pipette tips. In addition, Eppendorf offers ultra-low temperature freezers, fermentors, bioreactors, CO<sub>2</sub> incubators, shakers, and cell manipulation systems. Consumables such as pipette tips, test tubes, microtiter plates, and single-use vessels complement the range of highest-quality premium products.



### Application Support

Our specialists advise you if you have application questions about Eppendorf instruments or consumables.



### Seminars and Training

Expand your laboratory expertise in theory and practice.



### Technical Support

Contact your local service organization with all your technical questions.



### Maintenance and Certification Service

We offer services for maintenance, calibration, verification, Installation Qualification and Operational Qualification (IQ/OQ) and to meet your quality and legal requirements.

Key Financials

(IFRS)

|  |                  | 2013    | 2014    | 2015    | 2016    | 2017    | +/-<br>previous<br>year |
|--|------------------|---------|---------|---------|---------|---------|-------------------------|
|  | in €<br>thousand | 502,677 | 531,080 | 629,141 | 651,544 | 690,336 | +6.0 %                  |
| Total net sales                        |                  |         |         |         |         |         |                         |
| North/South America                    | %                | 35.2    | 35.8    | 38.5    | 37.8    | 37.7    |                         |
| Europe                                 | %                | 39.9    | 40.5    | 36.7    | 35.7    | 36.3    |                         |
| Asia/Pacific/Africa                    | %                | 24.9    | 23.7    | 24.8    | 26.5    | 26.0    |                         |
|  | in €<br>thousand | 101,813 | 100,943 | 123,196 | 140,139 | 156,362 | +11.6 %                 |
| Operating profit                       |                  |         |         |         |         |         |                         |
| Operating profit                       | %                | 20.3    | 19.0    | 19.6    | 21.5    | 22.7    |                         |
|  | in €<br>thousand | 93,768  | 95,658  | 119,256 | 139,619 | 145,511 | +4.2 %                  |
| EBIT                                   |                  |         |         |         |         |         |                         |
| EBIT margin                            | %                | 18.7    | 18.0    | 19.0    | 21.4    | 21.1    |                         |
|  | in €<br>thousand | 67,461  | 65,746  | 80,835  | 96,265  | 92,112  | -4.3 %                  |
| Net income <sup>1</sup>                |                  |         |         |         |         |         |                         |
| Net income <sup>1</sup>                | %                | 13.4    | 12.4    | 12.8    | 14.8    | 13.3    |                         |
|  | in €<br>thousand | 82,221  | 90,577  | 111,085 | 125,509 | 131,448 | +4.7 %                  |
| Cash flow                              |                  |         |         |         |         |         |                         |
| Equity ratio <sup>1</sup>              | %                | 63.6    | 60.8    | 65.2    | 63.2    | 67.5    |                         |
|  | in €<br>thousand | 630,006 | 716,784 | 810,877 | 846,465 | 869,981 | +2.8 %                  |
| Total assets                           |                  |         |         |         |         |         |                         |
| R&D expenses                           | in €<br>thousand | 28,177  | 29,369  | 31,911  | 34,787  | 36,489  | +4.9 %                  |
| Earnings per share                     | in €             | 1.31    | 1.28    | 1.58    | 1.87    | 1.79    | -4.3 %                  |
| Number of employees,<br>annual average |                  | 2,798   | 2,880   | 2,969   | 3,029   | 3,134   | +3.5 %                  |

1 incl. non-controlling interests

►  
Our competence areas in the  
life science laboratory

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# Foreword



**Thomas Bachmann**  
President &  
Chief Executive Officer

**Eva van Pelt**  
Chief Commercial Officer

**Dr. Wilhelm Plüster**  
Chief Technology Officer

**Detmar Ammermann**  
Vice Chairman of the  
Management Board and  
Chief Financial Officer

*Dear ladies and gentlemen,*

Eppendorf can look back at 2017 as a very satisfactory business year. The company increased its Group sales by 7.9% (at constant exchange rates), with accelerated growth in the second half of the year. That means Eppendorf's development was better than the global market's, which grew by approximately 5%. The growth Eppendorf experienced was broadly based, with all market regions and all major product groups contributing to the positive development. As expected, our operating profit (EBIT) increased at a lower rate than sales, since Eppendorf invested heavily in the further development of the company through-out the reporting year. The investments focused mainly on research and development as well as on new business models and processes in the modernization of our infrastructure and in additional human resources.

Our successful business and strong market position offer ideal conditions for setting our course for the future. Under the banner of **be Eppendorf 2021**, we worked intensively on various initiatives and projects in 2017 to ensure our company's stability and competitiveness and to position ourselves for continued successful development over the long term. From a financial point of view, our goal is to achieve organic growth well above the market average over the years. Our efforts concentrated in particular on three strategic subject areas: sales, innovation, and corporate culture. And we have managed to reach important milestones in all those areas. With the "Going-to-Market" initiative, we are working on our sales strategy and sales structure to account for changed market and customer requirements. The aim of the "Innovation" initiative is to accelerate the development of products using an agile methodology to optimally meet these requirements. All of this makes new forms of internal cooperation necessary. The third initiative of **be Eppendorf 2021** therefore focuses on the further development of our strong corporate culture, which we want to use to create a dynamic, adaptable work environment. Our new mission statement, which consists of vision, mission, and values, is being communicated to all our employees worldwide.



### Addition to the Management Board and organizational orientation toward market requirements

An important result of **be Eppendorf 2021** is the new organizational structure that we developed in 2017 and that has been effective since January 1, 2018. Our new structure allows us to improve the alignment of our business with current and future market requirements. Among the most important changes is the creation of two new Management Board mandates: Business Portfolio and Commercial Organization. Headed by Thomas Bachmann, the Business Portfolio unit defines the strategic orientation of Eppendorf: What are our greatest strengths? How do we generate new product ideas? And how can we join forces to develop these products quickly and launch them successfully? The Commercial Organization unit has been headed by our new colleague Eva van Pelt since October 1, 2017. She is responsible for the market regions of Europe and North America as well as Asia Pacific, Africa, and Latin America in addition to overseeing the Global Key Account Management, E-Business, Global Service, and Operational Marketing units.

### Innovative products and processes

These organizational changes are closely linked to our innovation initiative. During the year under review, we launched several pilot projects on the basis of agile development so we could provide the products that are currently in demand even more quickly. Agile project teams involve customers in a dynamic, ongoing process. Agile development is not, however, just a method; it is also an attitude and part of our corporate culture.

We see the areas of digitalization and device networking as offering the greatest opportunities in our industry. To manage and drive forward the topic of software and networking throughout the company, we established Software Development as a new global function in 2017. On the product side, we introduced VisioNize®, a new system that allows users to centrally monitor a variety of Eppendorf instruments at the same time. Our new Mastercycler® X50 PCR device, the CryoCube® F740 ULT freezer, and the Innova® S44i shaker all feature the full range of VisioNize functionalities. Some twenty new products were launched in 2017 and made an important contribution to Eppendorf's growth.

So we can provide our services quickly and in the premium quality our customers expect, we have to be in good shape not only on the market but also behind the scenes: with a modern infrastructure and contemporary processes as well as highly skilled internal service providers. During the reporting year, we managed to take important steps in this context, too.

»Our premium products, systems, and services enable, simplify, and improve research and routine work in every laboratory around the world. They impress and inspire through innovation, quality, performance, ergonomics, value, smart solutions, and design.«

Part of the new Eppendorf mission statement

### Outlook for 2018

By launching **be Eppendorf 2021**, we have laid a solid foundation that will enable us to better exploit the company's enormous potential in the future. In 2018, our aim is to consistently and sustainably implement the projects we have started. Thanks to our new structures and attractive product portfolio, we are in a good starting position for another successful business year. We expect to achieve solid growth once again, not least thanks to the new products introduced in 2017. Their full impact on sales will be felt in the current year. We have budgeted further substantial investments in our organization, infrastructure, and production capacities as well as in training and continuing education so as to actively forge the company's intended transformation. In view of the higher costs planned for this, we estimate our operating profit adjusted for currency effects will remain at the same level as 2017.

### Thanks

Dr. Michael Schroeder, a member of the Supervisory Board since December 2015 and a former member of the Management Board, decided in January 2018 to step down from his position for personal reasons. The Supervisory Board and Management Board of the Eppendorf Group would like to thank Michael Schroeder for his great entrepreneurial commitment and wish him all the best for the future.

The many new projects and initiatives, in addition to our daily business, demanded a great deal of energy, courage, and willingness to change from our employees. We would like to thank them all sincerely for their great commitment and valuable contributions. Our company's positive development would have also not been possible without our loyal customers, who once again placed their trust in us in 2017. To them as well, we extend our heartfelt gratitude.



Thomas Bachmann



Detmar Ammermann



Eva van Pelt



Dr. Wilhelm Plüster

# Innovation

## for Further Growth



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# Shaping Cultural Change

## from a Position of Strength

Eppendorf has been a successful company for many years and enjoys a very strong brand, loyal customers, and global growth accompanied by healthy revenue. Among other factors, a strong corporate culture fuels this success. At first glance, the situation does not call for any kind of action. And yet the continuation of our success story cannot be taken for granted. The global markets Eppendorf serves are growing more and more dynamic and experiencing increasingly fierce competition. To remain successful, the company must be willing and able to adapt to changing markets and new customer requirements even more quickly and flexibly in the future. One of the three major strategic initiatives that were launched as part of the **be Eppendorf 2021** program during the reporting year has, for this reason, been dedicated to the further development of our corporate culture. This is a prerequisite for Eppendorf to be able to seize the many opportunities at the right moment and generate sustainable, profitable, and above-average market growth.

The new Eppendorf mission statement – consisting of vision, mission, and values – forms the foundation for the company's cultural change. What direction does the new value compass indicate, and how does Eppendorf intend to shape the dynamic, adaptable work environment it envisages? Vision and mission point to the goals Eppendorf wants to achieve by 2021, and they provide answers to the questions: What sets Eppendorf apart? What can customers rely on? The values provide guidance and serve as a compass for how Eppendorf will meet its goals and aspiration. Some central points are these: Eppendorf employees assume responsibility, act reliably, and show respect and appreciation for their colleagues. They are empathetic, open, and eager to help. They have the courage to drive forward changes and further developments. They show an exemplary willingness to perform, and they expect high performance from others. In the course of 2017, the new mission statement was presented to managers worldwide during regional workshops. These managers then held their own workshops for their teams, elaborating how the vision, mission, and values can be communicated and integrated into everyday working life.

These events imparted a positive attitude toward the future, strengthened team spirit, and generated considerable energy. However, the new mission statement also calls for and fosters a great willingness to change and a high level of commitment.

Vision, mission, and values will be introduced at all Eppendorf companies by the end of the first quarter of 2018. To ensure the values are not just perceived as fancy words, each and every person in the company needs to live by them. All employees are therefore asked to play an active role in the changes, since we can only reach the goals we have set ourselves by working on them together. Employees are also invited to evaluate their managers on the basis of the mission statement's values – an invitation that extends to the Management Board.

»We rely on each and every Eppendorf employee to continue to write the success story of our company.«

Thomas Bachmann, President & Chief Executive Officer





# Our Mission

Eppendorf contributes to improving human living conditions.

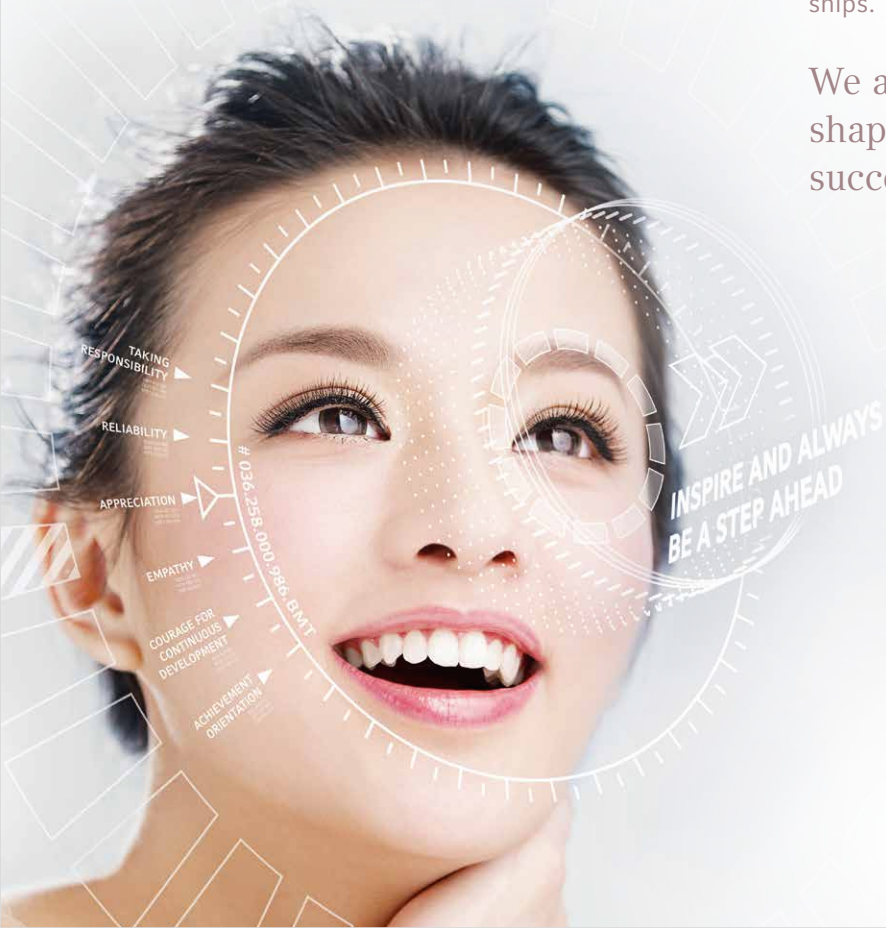
Building on a foundation of collective experience, history and knowledge, we are committed to the future. We place our customers at the center of our activities. By being innovative, sincere, reliable and efficient, we offer our customers positive experiences and a sense of confidence. We take on responsibility and show courage.

Our premium products, systems and services enable, simplify and improve research and routine work in every laboratory around the world. They impress and inspire through innovation, quality, performance, ergonomics, value, smart solutions and design.

We continually invest in innovating our products, services and business solutions, also by engaging with partners and customers in strong networks, focused on applications in the fields of sample, cell and liquid handling. We are with our customers.

We are committed to professionalism, flexibility and individuality in partnerships.

We all are Eppendorf – shaping the ongoing success story together!



## Feedback from International Kick-Off Workshop Participants

*» I appreciate the amount of time and resources Eppendorf has invested in this topic, which is so important to our future.«*



**be eppendorf**  
» 2021

*» When Mr. Bachmann described Eppendorf as a matter of the heart, I had to smile because it's so true: I am Eppendorf.«*



*» Time and again, I come across colleagues talking about be Eppendorf 2021 and especially about our new values. I find that very encouraging because it shows the process of integrating the new corporate culture into our everyday life is already well underway.«*

*» The commitment of the Management Board members really impressed me. Eppendorf is investing in its employees and has a clear plan for the future.«*

By the end of the first quarter of

# 2018,

the vision, mission and values will be introduced in all Eppendorf companies.



# Prepared for the Future Thanks To Innovation

»We consider innovation an essential key to readying and developing our company for sustainable success. That is why we use the latest development methods and invest heavily in almost all areas of R&D. The continuing education of our employees, the consistent expansion of software development, and the creation of intelligent IoT solutions are matters particularly close to our heart.«

Dr. Wilhelm Plüster, Chief Technology Officer





»We continually invest in innovating our products, services and business solutions, also by engaging with partners and customers in strong networks, focused on applications in the fields of sample, cell and liquid handling. We are with our customers.«

From Eppendorf's new Mission

Eppendorf instruments and solutions are well known and popular among laboratories worldwide. Under its strong brand, the company traditionally offers a wide-ranging portfolio that includes tried-and-tested products as well as continuous developments and groundbreaking innovations. Our successful business year in 2017 is just one testament to the attractiveness of Eppendorf products. But the need for new methods and instruments for use in the life sciences and in medical research is greater than ever. Pharmaceutical companies are advancing their own innovation at a rapid pace, for example in the battle against cancer or neuro-degenerative diseases – two areas of particular importance given the growing number of older people worldwide.

These pronounced market dynamics are leading to changed requirements for innovation at Eppendorf. To continue helping to improve people's living conditions – as the Eppendorf founders stated early on – the company must drive development processes forward and become faster than ever before. "Innovation" was therefore also one of the three central strategic initiatives launched as part of the **be Eppendorf 2021** program. Focusing on product development, "Innovation" is also closely linked to the other two initiatives: "Going-to-Market," which is exploring new ways of reaching the customer, and "Corporate Culture," which is looking into new forms of internal and external cooperation.

#### Agile development: the order of the day

To increase the speed of innovation, Eppendorf launched several pilot projects in 2017 that focused on agile product development. This methodology from the world of software

development relies on speed, flexibility, and an intensive dialog with customers. The aim is to receive user feedback at an early stage so it can be used to improve the product. For this reason, agile project teams complete a prototype every 15 weeks and place it in the trusted hands of selected customers for testing. Cutting-edge technical development methods such as 3-D printing and numerical simulation support this process of rapid prototyping and agile development. The innovation process is continuously evaluated to increase the frequency of developing market-oriented products and the benefits to users – and always with the premium quality customers expect from Eppendorf.

The success of this method depends on good internal cooperation, which includes active communication among the Eppendorf competence centers, the business units, and the regional sales organizations that stay directly in touch with customers. Agile development is more than just a method; it's also a fundamental attitude that plays a role in the new corporate culture that places a higher priority on team spirit, transparency, self-motivation, and individual responsibility.

#### Market success with new products

In fiscal year 2017, Eppendorf made substantial investments to introduce agile development. And the company has already begun reaping the first rewards: Eppendorf was able to launch a total of nearly twenty new products on the market last year. These products contributed to the company's successful business year and are expected to have an even greater impact on sales in the coming years.

At the beginning of the year under review, we received official confirmation that customers value us for both our products and our services: During the 2017 Pittcon® Expo in Chicago, Illinois, U.S., Eppendorf was honored by SelectScience® not once but twice. We received not only the award in the category "Best New General Laboratory Product" for the Eppendorf Centrifuge 5920 R, but also the Scientists' Choice Award® for "Customer Service of the Year." And there was even more cause for celebration: In 2017, the Eppendorf Training Center marked its 20th anniversary and epServices its 10th.



Eppendorf benefited from some very motivating acclaim for its product design. The German Design Award was conferred on no less than two Eppendorf products, the Mastercycler® X50 and the Eppendorf pipetting system.



As a premium provider, Eppendorf is bound by its brand promise to provide top-quality products that make work in laboratories easier and more productive. In the reporting year, the company introduced VisioNize®, a system that allows users to centrally monitor a variety of Eppendorf instruments at the same time. This networking offers tremendous added value, as confirmed by our initial customers in Europe. For further information on VisioNize, see page 20-23. Many of the products launched in 2017 can be networked with VisioNize. The new Mastercycler® X50, the CryoCube® F740 ULT freezer, and the Innova® S44i shaker, for example, feature the full range of VisioNize functionalities. All three also have other unique selling points that help them stand out in a highly competitive market. The Mastercycler X50 features extremely fast heating and cooling rates, a unique 2-D temperature gradient, and maximum energy efficiency. The ULT freezers from the new CryoCube F740 series offer maximum sample safety and energy efficiency as well as intuitive operability. And the new S44i shaker combines top mixing performance with user-friendly handling.

#### Next steps

Eppendorf sees digitalization and networking as two of the most important future market requirements and areas with the greatest growth opportunities. To manage and advance the areas of software and networking throughout the company, Eppendorf established Software Development as a new global function in 2017. Over the course of this year, Eppendorf intends to further develop digitalization and networking on the basis of VisioNize. And the company also aims to incorporate agile development into its everyday operations. Great progress has already been made on the technical side, so now the focus lies on aspects pertaining to our corporate culture.



»New innovations should focus on digital solutions, which are becoming an integral part of our research lab management. From the moment a research problem arises to the positive outcome, the solution must help increase our throughput and tangibly improve effectiveness and flexibility for researchers.«

*Dr. Pavan Jutur, Group Leader, Omics of Algae Group, Integrative Biology International Centre for Genetic Engineering and Biotechnology (ICGEB), New Delhi (India)*

»For many years, I worked on gene and protein expression in cell culture and organ specimens. Throughout my life as a researcher, I've looked for innovation and, more importantly, connectivity between instruments and techniques in order to set up efficient, quick workflows that are free of human error.«

*Fabio Mangiarotti, Recordati Industria Chimica e farmaceutica S.p.A., Milan (Italy)*



# Digitalization as a Development Driver in the Laboratory



*The laboratory world is changing at a rapid pace, and everyone is talking about digitalization. But what is happening specifically? What must the industry prepare for, and how is Eppendorf positioned in this overall trend? Two experts discuss these questions in the interview below. Günther Tolkmitt is a founding partner of Trufa, a company that offers software solutions to support strategic decision-making. Since January 2018, he has also been supporting Eppendorf in the area of Emerging Business Opportunities. Dr. Matthias Arnold was a founding partner and Chief Technology Officer of DASGIP, a provider of bioprocess systems and software solutions for the life science industry. DASGIP has been a part of Eppendorf since 2012.*

We all know digitalization from our private lives. What significance does digitalization have in the life science industry?

**Günther Tolkmitt:** In our private lives, too, we often perceive digitalization as both a blessing and a curse. At present, we still swallow the bait of convenience – and do this more and more frequently. At the same time, we feel increasingly uneasy when we think about what happens with our private data. To what extent can we trust those who are collecting data?

**Dr. Matthias Arnold:** The situation is even more contradictory in the life sciences. On the one hand, there's mounting pressure to improve efficiency (speed and costs), for example in the area of pharmaceutical research; on the other, there's a very pronounced need for security. After all, we're dealing with humans.

What approaches to digitalization are there? Which direction will Eppendorf choose to take?

**Günther Tolkmitt:** Besides the Internet of Things (IoT), i.e., the digitalization of objects, the keywords here are artificial intelligence and machine learning. The general public often associates this with replacing humans by machines. We don't believe in that though. For one thing, people who think this is possible have completely unrealistic expectations about what technology can really do. And for another, it's our philosophy to assist and support humans. We'll therefore consciously control our digital solutions and limit them where necessary.



Günther Tolkmitt, above  
Dr. Matthias Arnold, left



What will change for Eppendorf's customers? How does digitalization in the lab differ from digitalization in our private lives?

**Günther Tolkmit:** In the lab, the aim is to relieve employees from having to carry out routine tasks rather than to entirely replace humans. Any relatively simple task that a human repeats again and again can potentially be taken over by a computer.

**Dr. Matthias Arnold:** First of all, lab devices have to learn to talk. They must provide a steady stream of electronic information on their status and in particular on their use. That sounds simpler than it is. Machines talk much more and a lot more quickly than humans. This means we face a new class of technological challenges that can only be mastered through achieving an in-depth understanding of the devices and leveraging the opportunities offered by modern software. They key words here are IoT, cloud, big data, and

advanced analytics. In 2017, Eppendorf placed such "talkative" lab devices as the CryoCube® F740i ULT freezer, the Innova® S44i shaker, and the Mastercycler® X50 as well as related software under the name VisioNize® on the market. More products will follow in 2018. These devices already feature all the capabilities for digitalization – VisioNize on board.

**Günther Tolkmit:** The second step is to then connect the laboratories to the cloud. That's something our customers aren't accustomed to, but it's unavoidable. Digitalization is an industrial revolution. It's no coincidence that the term Industry 4.0 has taken root. And with Pharma 4.0, these thoughts are now also finding their way into the life science industry.

**Dr. Matthias Arnold:** To allay any fears our customers may have, we must guarantee state-of-the-art security standards as well as absolute transparency concerning the collected and processed data. In fact, we have initially decided to only process usage data – i.e., "How am I using the device?" – rather than content-related data – i.e., "What am I doing with the device?".

What is the most important added value that digitalization and networking offers customers? What advantages does it offer the user in the lab? And what are the advantages for decision-makers such as purchasing officers and lab managers?

**Günther Tolkmit:** Our approach targets the people who use the devices as well as those who order and manage them. Thanks to our modern analysis methods, we increase lab efficiency in two ways: We give lab managers and purchasing officers new ideas to help them get the most out of their laboratory. We also gain new insights into how our devices are used in daily practice and thus obtain valuable information to continuously optimize them.

**Dr. Matthias Arnold:** We have given a lot of thought to the users of our devices. The usual approach involving digitalization is to serve the end user through PCs or mobile devices. But a PC is located somewhere in the lab, which means I have to go there to use it for my work. And I may not be able to use a smartphone because my hands aren't free. That's why we're bringing digitalization directly into the device or onto the lab bench so a single free finger is all that's needed to benefit



»We believe that digitalization of laboratories will lead to faster data exchange and increased transparency between research partners all over the world. This will be a key success factor in the race for innovation.«

»Having several research and educational projects in parallel in the same laboratory area is often very challenging to organize. Therefore connectivity and digital follow-up of data are great assets for us.«

*Prof. Dr. Harald Hundsberger, Vice Dean and Head of Biotechnological Institute, FH Krems, University of Applied Sciences (Austria)*



»In our lab we develop innovative assays to evaluate potential stressors' toxicity using complementary animal models. The success of our work depends on a parallel development of digitalization to read and contextualize the results obtained on animal models.«

*Dr. Margherita Romeo, Laboratory of Human Pathology in Model Organisms, Department of Molecular Biochemistry and Pharmacology, The Mario Negri Institute for Pharmacological Research, Milan (Italy)*

from digitalization. While developing VisioNize, we therefore paid particular attention to ensuring excellent usability and a modern user experience. We are thus taking a particular hallmark of the Eppendorf product world and carrying it forward into the age of digitalization.

Eppendorf products are used in a variety of processes in the laboratory. The aim of digitalization and networking is to make work steps simpler and processes more transparent. Do you think there's a need to integrate the devices and programs of other manufacturers into Eppendorf products as well? What would be necessary for that to work smoothly?

**Günther Tolkmit:** At the end of the day, no single manufacturer will be able to master digitalization alone. It's therefore important that all players in the market find their intrinsic place. And the first step is to realize that not every company can or should do everything itself. We feel very well positioned as far as having an understanding of the devices is concerned. We know how to build them and how they are used on a daily basis. We produce the data we want to analyze. We are at the source. We understand what laboratory operations are really like.

**Dr. Matthias Arnold:** And, generally speaking, this knowledge also applies to lab devices that aren't produced by Eppendorf. In this sense, we consider the connection of third-party devices an inherent part of our area of expertise. But we're not able to make everything available to everyone, of course. That's why we confine ourselves to usage data, which we're happy to share with our customers and other manufacturers.

The range of global digitalization options available to Eppendorf customers seems practically limitless and is unwieldy in its complexity. What would be the best starting point for an Eppendorf customer?

**Günther Tolkmit:** It really is reminiscent of a gold rush. Traditional business-management software manufacturers like SAP® have a variety of IoT options available. And traditional automation companies, such as Siemens® and GE®, consider digitalization an extension of MES (manufacturing execution system) solutions. A bewilderingly large number of start-ups are offering novel

lab-digitalization solutions. Our customers' IT departments also make themselves available as digitalization partners for internal laboratories. And, not to be forgotten, all the device manufacturers are also active in this field, usually by acquiring more or less traditional software manufacturers. Companies with similar interests are forming new consortia almost daily with the aim of launching further IoT platforms. Not to mention the various efforts to standardize things that aren't even entirely understood yet.

**Dr. Matthias Arnold:** People always have trouble exploiting new technology opportunities because that only works if you're able to live with the uncertainty. And we are currently right in the middle of such a phase of upheaval.

**Günther Tolkmit:** The worst thing you can do right now is wait. It would also be wrong to try and keep up with every little detail of what's happening in the market, since that inevitably leads to analysis paralysis. Our suggestion would be to start with those things that will definitely be needed: the digitalization of devices and the collection of usage data. That will give you a feeling of what could be possible through digitalization. Will you make mistakes in the process? Sure. But mistakes are the only way to learn. More specifically, our customers and we as a company will learn together.

**Dr. Matthias Arnold:** The picks and shovels are ready, and the technological foundation has been laid. We look forward to tackling the future together with our customers.



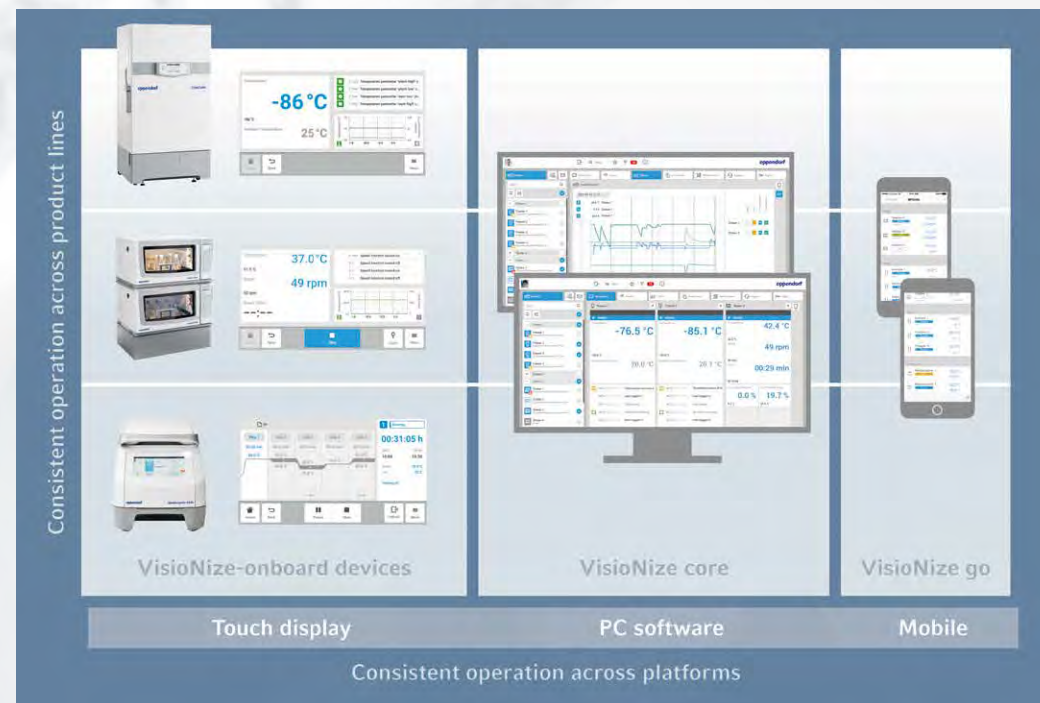


## Digital Laboratory Organization with **Visionize®**

»When you run long-term experiments, such as kinetic and real time assays, or when you need to store biological samples for a long time, the digital information and monitoring of instruments, even remotely, is crucial, particularly in the management of limited-entry laboratories, such as BSL3 labs.«

Franco Cardone, PhD, Department of Neurosciences,  
Istituto Superiore di Sanità, Rome (Italy)





VisioNize® features a cross-product and cross-platform user interface design.

Besides the accelerated changes in the market, digitalization and networking comprise the biggest challenges the life science industry faces. At the same time, they are opening up enormous opportunities for lab-equipment providers. Thanks to a broad range of products and the required software know-how, Eppendorf is ideally equipped to assume a leading role in these developments. In May 2017, Eppendorf introduced its first device networking system at LABVOLUTION® in Hannover. Called VisioNize®, the system provides users a simultaneous overview of a variety of Eppendorf instruments and allows the instruments to be monitored centrally. Customers as well as other market players responded very favorably to the presentation. Many visitors affirmed that Eppendorf was a step ahead when it came to innovative lab technologies.

What added value does VisioNize offer? Featuring a user-friendly design, this system not only provides information on instruments' current status, it also indicates the cause of problems. For example, users are notified by e-mail if the temperature of a ULT freezer exceeds a critical threshold. With the help of VisioNize, they can then determine the cause and, for example, arrange to have the door closed without being on-site themselves. The new functionalities of this system do, however, offer more than just convenience: The status of connected devices can be viewed remotely, allowing users to quickly find a free device or plan to use the remaining time efficiently for other activities. In addition, the devices can be organized according to when the next maintenance is due so maintenance times can be planned well in advance. These and other VisioNize features enable Eppendorf customers to save a considerable amount of time and money. That applies in particular to laboratory services provided in a strictly regulated environment: In cases where a clean room no longer has to be physically entered by a person to document data, remote monitoring significantly boosts efficiency. Furthermore, central collection and archiving of

data in the lab operator's network infrastructure provides for optimum utilization of the devices. And the installation and connection of VisioNize is no more difficult or risky than adding a new network printer.

Eppendorf developed VisioNize in intensive cooperation with reference customers in Germany, the Netherlands, and Great Britain. The first customers to use the innovative system already successfully incorporated it into their everyday operations in 2017. The global commercial rollout will take place this year. In parallel, we will continuously enhance VisioNize by working together with our customers to optimally adapt it to various requirements found in everyday laboratory practice.

Launched in 2017, Mastercycler® X50 is equipped with full VisioNize functionality as are the CryoCube® F740i ULT freezer and the Innova® S44i shaker. In the interest of sustainability, Eppendorf also enables older devices to be easily integrated with the help of a decoder.

Since March 2017, Eppendorf has held a majority interest in Bio-ITech, which is headquartered in Groningen, Netherlands. This leading provider of software solutions for laboratory workflows ideally complements Eppendorf's areas of expertise. At LABVOLUTION, Eppendorf and io-ITech jointly presented the digital laboratory journal eLABJournal and the sample management solution eLABInventory – innovations that show great potential.



Smart. Connected. Nize. This was the motto under which Eppendorf invited visitors to LABVOLUTION 2017.

What will the laboratory of the future look like? Eppendorf held workshops on this topic with customers and other market players at LABVOLUTION® in Hannover. Thanks to its strong market position, the company is predestined to drive development of this key topic for the entire industry.



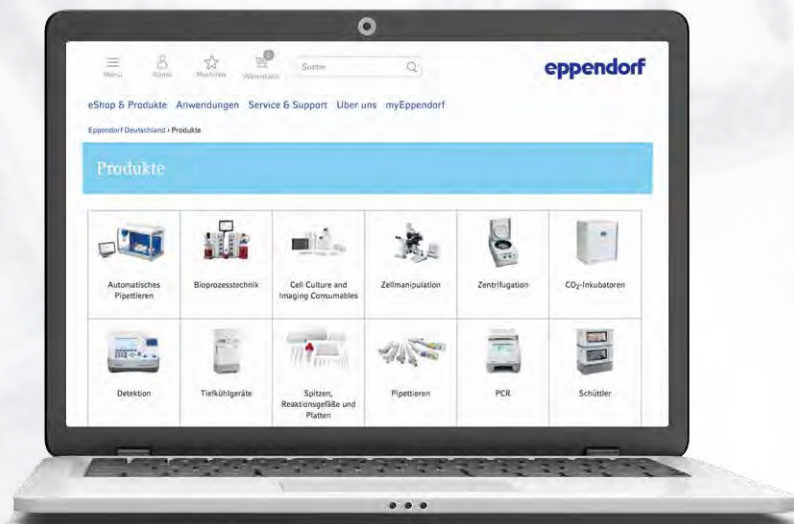


## Innovative Pathways to the Customer

»Eppendorf is able to develop innovative pathways to the markets from a clear position of strength by drawing on a strong brand and excellent customer relationships.«

Eva van Pelt, Chief Commercial Officer





Sales through the Eppendorf e-shop have been noticeably increasing for years now.

How do customers obtain their products? Traditionally, Eppendorf has offered a wide range of products that the company has sold through its own sales organizations or selected retail partners. This model has worked well for a long time, but new market conditions have eventually resulted in a need for further development. In past years, for example, the life science industry has experienced tremendous consolidation and dynamic growth with a corresponding increase in competition. Customers today expect lab-equipment manufacturers to quickly provide a steady stream of innovations targeted specifically at them over their choice of channel. In addition to this, digitalization is opening a variety of new channels both for the distribution of products and for the exchange of knowledge between customer and provider.

To stay abreast of all these changes and to be able to find innovative ways to reach customers, Eppendorf launched the strategic Going-to-Market initiative in 2017. As one of three cornerstones of the **be Eppendorf 2021** program, this initiative aims to develop innovative multichannel sales strategies so the company's great potential can be fully realized to the benefit of customers. The fundamental question here is this:

Which products offer Eppendorf the best opportunity to reach which customers in which markets using which sales channels and which specialists? In the beginning, the company focused on comprehensive analyses: Which products are already doing well and where is there potential for improvement? In what areas are new customer requirements arising – and with them further opportunities for sustainable, profitable growth? Eppendorf was able to tackle the initiative from a clear position of strength by drawing on excellent, long-term customer relationships. Studies show that both the Eppendorf brand and the products themselves are associated with high quality and that consulting and services are considered excellent.

#### **New organizational structure for new market requirements**

A market-oriented sales structure was developed in line with the changes in our product innovation process and our corporate culture. Delivery channels play a key role in ensuring new products find their way to our customers as efficiently as possible and provide optimum benefit once they're in the laboratory. The projects launched as part of **be Eppendorf 2021** resulted in a new organizational structure for the entire Eppendorf Group. Effective January 1, 2018, this structure comprises two newly created Management Board mandates: Business Portfolio with strategic business responsibility for the entire product portfolio and Global Commercial Organization with responsibility for major market regions and the global e-Business, Marketing, Key Account Management and Service units that act in concert with the market

regions. This enables Eppendorf to increase the customer focus of all customer-related functions and align itself with the requirements of the market.

A significant change in the area of sales, for example, involves the introduction of a standardized global structure for cooperation between Eppendorf and its customers. The new structure takes into consideration both the regional and local circumstances of markets and customers. The standardization of the sales structure streamlines internal and external processes, thus increasing efficiency. And it also offers consistency and convenience to customers

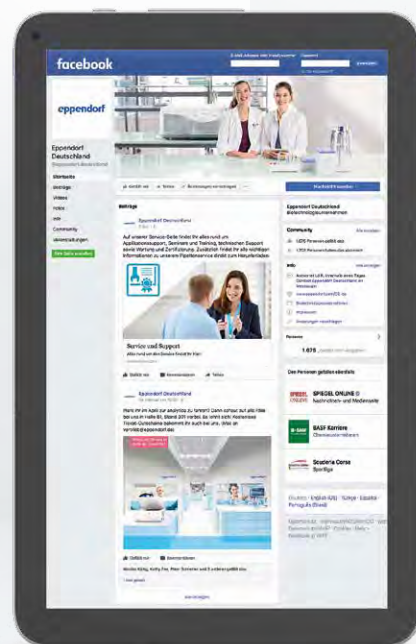
working in different countries or even on different continents over the course of their careers. Users who have come to appreciate Eppendorf in their labs can stay in touch with us in a similar way at their new workplaces. Furthermore, customers can purchase products using their preferred channels – whether this is through an Eppendorf sales organization, a retailer of their choosing or, more and more frequently, using an online platform. Eppendorf is planning to intensify its cooperation with new, globally active retailers to accommodate purchasers of lab equipment worldwide.







Today, Eppendorf's customers are globally networked and engage in dialog at scientific conferences and on social media. Eppendorf promotes new contacts among its customers, successfully connecting reference customers and prospective buyers, for example.



Eppendorf stays in close contact with its customers over social media, exchanging information and gaining valuable insights into customer needs.

### In touch with the markets

Our new Global Key Account Management also faces the challenges that come with globalization. Both Eppendorf's major retail partners and key players in the pharmaceutical, diagnostics and biotech industries work globally. To better support them, Eppendorf is creating globally harmonized sales processes and establishing specialized sales teams that provide assistance across different regions. A team like this is already available to customers in North America, while the European team is in the process of being set up.

To offer customers further options, Eppendorf is using digital tools to supplement its traditional sales channels with new channels to sell its products. In addition, these channels will also be used for a targeted exchange with customers and other market players.

An internal Eppendorf team is responsible for further refining the e-shop while also working on new e-commerce models as part of its work to actively participate in customers' marketplaces. Other Global Commercial Organization units will sharpen their focus on gathering targeted customer feedback so it can be evaluated and made available worldwide to continuously optimize our global approach to reaching customers. In this context, Eppendorf benefits both at a strategic and an operational level from the strong customer relationships that result from its close contact with purchasers of lab instruments and employees in the lab.



»For us, it's necessary to work with reliable, robust and versatile equipment that allows us to improve our investigations every single day. To keep up with innovation, it's important to lean on the support of a quality provider who helps us find solutions that meet our needs and budget.«

*Dr. Santiago Ramón-Maiques, Department of Genome Dynamics and Function, Centro de Biología Molecular Severo Ochoa (CBMSO), Madrid (Spain)*





# Sustainability

Social, Ecological,  
and Corporate Aspects.



The topic of sustainability has a big influence on all of Eppendorf's business decisions. For Eppendorf, sustainability generally encompasses social, ecological, and corporate aspects. Sustainability is expressed in many small steps in our daily business and is apparent in all of our processes – from product development to production and sales and all the way to the product's disposal. And Eppendorf expects the same from its suppliers and sales partners around the world. We apply stringent ecological standards throughout the company, not just where they are required. In terms of social sustainability, Eppendorf's commitment takes a variety of forms depending on the facility and country in question.

#### Social sustainability

Social commitment is near and dear to Eppendorf, especially when it comes to promoting future generations of scientists. Eppendorf has been recognizing young scientists with awards for more than twenty years. The company specifically supports the research community with the "Eppendorf Award for Young European Investigators" and "Eppendorf & Science® Prize for Neurobiology," both of which are presented annually to applicants under the age of 35. But Eppendorf

also takes part in smaller initiatives to get young people interested in science and the company, such as the international student competition "Biology Olympiad," the German initiative "BIO-Technikum," and the Science Slam, which has become immensely popular not just among scientists. In addition, Eppendorf supports schools and school projects at many locations by donating devices and consumables to make science instruction more concrete and practice-oriented.

**eppendorf  
& Science**  
**PRIZE FOR  
NEURO  
BIOLOGY**

Every year, Eppendorf and two well-respected scientific journals present two science awards to young scientists in the fields of biomedical and neurobiological research.



#### Promoting young talents early on: Cooperation with the Louisenlund Foundation

A career in science requires great personal commitment and a lot of staying power. It's important to recognize and promote the talent of young people as early as possible so they can realize their full potential during their later studies and career. Against this backdrop, Eppendorf entered into a cooperation with the Louisenlund Foundation in May 2017. The charitable foundation runs a boarding school in the German state of Schleswig-Holstein that helps students develop not just their intellectual abilities but also personal responsibility and social and intercultural competencies. In 2016, the Louisenlund boarding school introduced a training course for students who have a special gift for what is known in Germany as MINT subjects (MINT: mathematics, IT, natural sciences, technology). The training is supported by science, research, industry, and political partners, and the learning objectives are defined in accordance with the nationwide plus-MINT program. A scholarship fund has been set up to enable young students to take part in the program regardless of their family's social status.



In 2017, Eppendorf made a commitment to supporting the four-year training course with a substantial financial contribution. In addition, the partnership also enables a broad range of various exchanges between Eppendorf and the school, including students invited to participate in internships, Eppendorf helping with entries to competitions, and employees offering to serve as personal mentors.

#### Intercultural exchanges among employee families

Eppendorf wants to promote not just the academic interests of young people but also their understanding of other cultures. By having a presence in many different countries, the company can tap its own potential. Since 2013, children of Eppendorf employees at all locations have the opportunity to spend a few weeks with an Eppendorf host family. The requirement is to agree to a two-way exchange; that is, every family benefiting from another family's hospitality later serves as a host family itself. Participants must be between 14 and 18 years old and able to communicate in English.

Called Eppendorf Family Network, the program has enjoyed great popularity ever since its inception. Many enthusiastic reactions confirm that people perceive the intercultural exchange as an enriching experience. In 2017, a total of eighteen children from six different countries applied for a stay abroad. Most of the exchanges so far have taken place between families from Germany, the United States, and China. In cooperation with the outside organization CoFam, Eppendorf brings suitable employee families together in a transparent process and takes care of planning, airfare, and insurance.





### Ecological sustainability

Aware of its responsibility for people and the environment, Eppendorf strives for active, comprehensive, and innovative environmental protection. This is why the company has had an environmental management system for years that conforms to the DIN EN ISO 14001 international standard. Eppendorf's goal is not just to optimize this system continually, but also to improve its environmental performance over the long term. Our employees are the foundation of our environmental management system, so Eppendorf promotes their environmental awareness through targeted information, training and continuing education, integration, and leadership.

Wherever it is economically feasible, Eppendorf orients itself toward the goals of sustainable business and continuously identifies, implements, and improves measures that help reduce environmental damage. The high quality, efficiency, and long service life of the products we offer help us make a contribution to the careful use of resources. This is also why Eppendorf ensures that environmental requirements are defined for each stage in the life cycle of its products as early as the development process.

The products launched on the market by Eppendorf in 2017 fulfill these high environmental standards in a variety of ways. For example, the Mastercycler® X50 and the ultra-low temperature freezer from the new CryoCube® F740 series are characterized by the highest in energy efficiency. And the innovative device networking system VisioNize® makes an important contribution to sustainable laboratory work: not only is it compatible with the latest generations of lab instruments, it also enables the simple integration of older devices through a decoder.

In its global competence centers, Eppendorf focuses on two main sustainability issues: increasing energy efficiency and reducing the company's carbon footprint. But a focus on ecology often also pays off economically: Rigorous optimization of a company's environmental balance is often accompanied by improvements in business efficiency.

### Corporate sustainability

Eppendorf was founded in 1945 by Dr. Heinrich Netheler and Dr. Hans Hinz and is still in the hands of the founding families today. In this stable ownership culture, the focus has always been on long-term thinking and solid growth rather than short-term success. And all along, Eppendorf has relied on premium quality. We apply a holistic

view of processes in the laboratory to develop application- and solution-oriented devices designed for a long service life: In laboratories all over the world, you can find individual Eppendorf devices that are no longer produced but still continue to perform their tasks reliably. Maximum functionality, optimal sample handling, intuitive operation: All this is just the visible part of a high-quality laboratory device. Only when our materials and manufacturing processes uphold the highest standards of sustainability can we as a manufacturer be satisfied. But customers, too, are increasingly focused on finding the most sustainable solution when they buy lab equipment.

### Brand management

The company's long tradition, extensive portfolio of quality products, and image as a premium brand are among the reasons why Eppendorf is so well-known and enjoys such broad appeal worldwide. In this respect, Eppendorf even outperforms much bigger market players. The strength of the brand cannot, however, be taken for granted. We must deliver on our brand promise to our customers again and again: with new or proven products that offer premium quality and top performance to users and researchers in the laboratories. In addition, it is essential we manage our brand globally with the help of internal experts and suitable measures. For example, Eppendorf has a global network of internal brand ambassadors who passionately promote the rigorous implementation of our corporate identity.

# eppendorf

Uniformly managed around the world, the Eppendorf brand plays a significant role in the company's long-term success.

Further information on sustainability at Eppendorf: [corporate.eppendorf.com/en/company/sustainability](https://corporate.eppendorf.com/en/company/sustainability)



»We have been ardent users of Eppendorf products since the inception of GROW research labs; the product quality across all instruments, consumables, and services provided has reaffirmed our faith in Eppendorf. We therefore recommend the company to our friends and collaborators across the nation. Research data production is scaling up as we progress, and its management is becoming an important parameter for efficiency, so we welcome digitalization efforts for laboratory processes. Particularly in the age of omics and convergence of clinical and basic research, connectivity and digitalization solutions for easy data access and monitoring will be increasingly important.«

Arkasubhra Ghosh, PhD, Director, GROW laboratory (genes, repair and regeneration at ophthalmic workstation), Narayana Nethralaya Foundation, Bangalore (India)



Reduced consumption of plastic



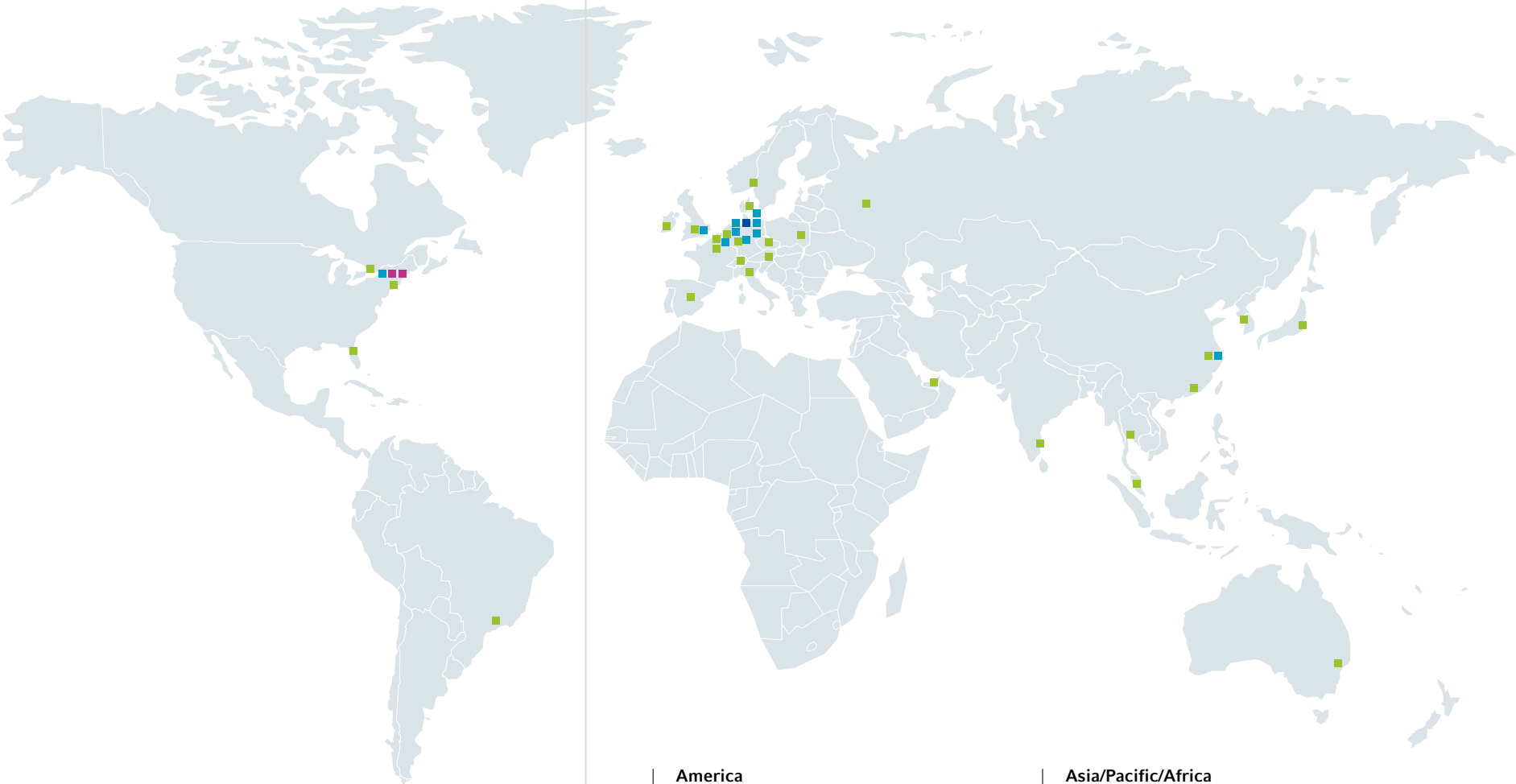
Pallet recycling



Improved waste management



# International Presence



Europe

- Eppendorf AG  
Hamburg/Germany

■ Calibration Technology Ltd  
Limerick/Ireland

■ Eppendorf Austria GmbH  
Vienna/Austria

■ Eppendorf Belgium NV/SA  
Rotselaar/Belgium

■ Eppendorf Czech & Slovakia s.r.o.  
Říčany (Prague)/Czech Republic

■ Eppendorf France SAS  
Montesson (Paris)/France

■ Eppendorf Ibérica S.L.U.  
San Sebastian de los Reyes  
(Madrid)/Spain

■ Eppendorf Nederland B.V.  
Nijmegen/Netherlands

■ Eppendorf Nordic A/S  
Hørsholm (Copenhagen)/Denmark

■ Eppendorf Norge AS  
Oslo/Norway
- Eppendorf Poland sp. z o.o.  
Warsaw/Poland

■ Eppendorf Russia ooo  
Moscow/Russia

■ Eppendorf s.r.l.  
Milan/Italy

■ Eppendorf UK Ltd.  
Stevenage/Great Britain

■ Eppendorf Vertrieb  
Deutschland GmbH  
Wesseling/Germany

■ Vaudaux-Eppendorf AG  
Schönenbuch (Basel)/  
Switzerland
- Bio-ITech B.V.  
Groningen/Netherlands

■ DASGIP Information  
and Process Technology GmbH  
Jülich/Germany

■ Eppendorf Application  
Technologies S.A.  
Namur/Belgium

■ Eppendorf Instrumente GmbH  
Hamburg/Germany

■ Eppendorf Liquid Handling GmbH  
Hamburg/Germany

■ Eppendorf Polymere GmbH  
Oldenburg in Holstein/Germany

■ Eppendorf Zentrifugen GmbH  
Leipzig/Germany

■ Eppendorf CryoTech Ltd.  
Maldon/Great Britain

America

- Eppendorf Holding, Inc.  
Enfield, Connecticut/USA
- Eppendorf, Inc.  
Enfield, Connecticut/USA
- Eppendorf Canada Ltd.  
Mississauga (Toronto)/Canada
- Eppendorf do Brasil Ltda.  
São Paulo/Brazil
- Eppendorf North America, Inc.  
Hauppauge, New York/USA
- USA Scientific, Inc.  
Ocala, Florida/USA
- Eppendorf Manufacturing Corp.  
Enfield, Connecticut/USA

Asia/Pacific/Africa

- Eppendorf Asia Pacific Sdn. Bhd  
Kuala Lumpur/Malaysia
- Eppendorf (Shanghai)  
International Trade Co., Ltd.  
Shanghai/China
- Eppendorf China Ltd.  
Hongkong/China
- Eppendorf Co., Ltd.  
Tokyo/Japan
- Eppendorf India Ltd.  
Chennai/India
- Eppendorf Korea Ltd.  
Seoul/South Korea
- Eppendorf Middle East & Africa FZ-LLC  
Dubai/United Arab Emirates
- Eppendorf South Pacific Pty. Ltd.  
North Ryde (Sydney)/Australia
- Eppendorf (Thailand) Co., Ltd.  
Bangkok/Thailand
- Eppendorf Lab Technologies  
(Shanghai) Co., Ltd.  
Shanghai/China

- Head office
- Sales subsidiary
- Entity with regional/global sales, marketing, service, and product portfolio functions
- Competence center for research, development, and production

# Management Report

**Overall economic developments**

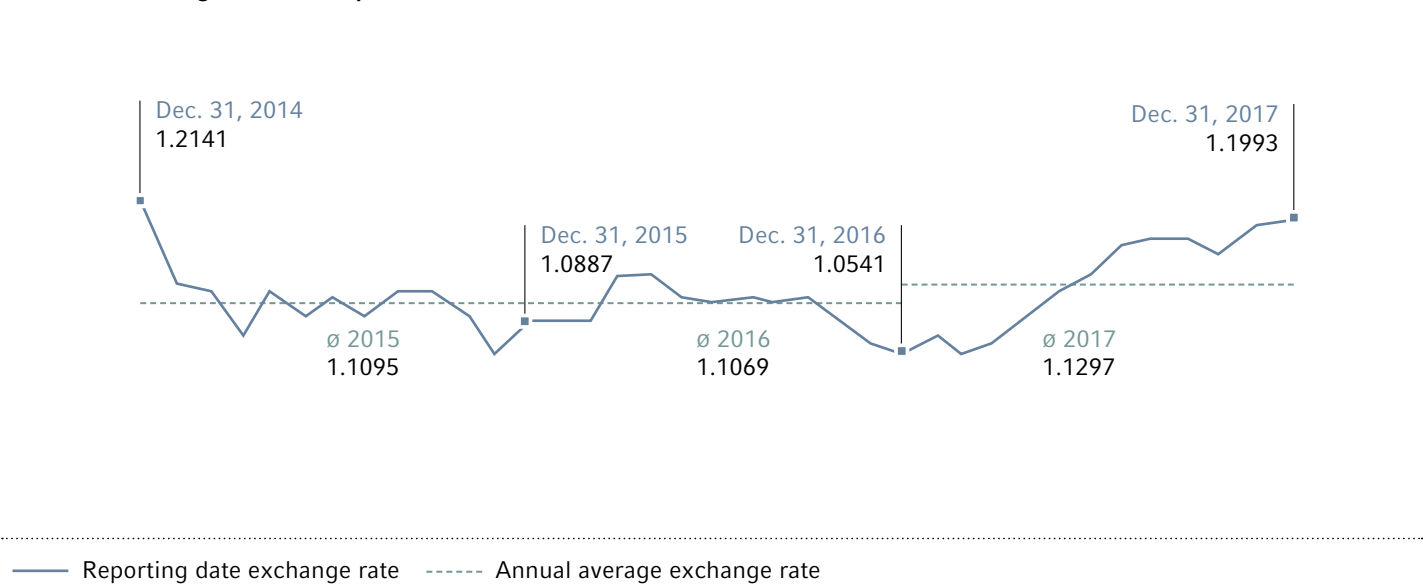
The global economy noticeably picked up speed in 2017. According to calculations by the World Bank, the global gross domestic product grew by 3.0% – and thus 0.3% more than anticipated at the beginning of the year. This slight improvement in growth can be attributed to higher investments as well as a strong increase in global trade. In addition, various political risks looming in the euro area did not materialize.

The United States experienced noticeable growth over the course of 2017, and the upswing in the euro area also gained momentum. Both regions benefited primarily from greater consumer spending and higher gross capital investments. Furthermore, there was an increase in exports, especially in Europe. However, the United Kingdom, where there is still great uncertainty as a result of the Brexit vote, did not share in these positive developments. The Asia-Pacific region continues to experience robust growth, with China still managing

to achieve steady growth rates of almost 7%. Following several years of moderate growth, the Japanese economy, too, was able to achieve significant gains.

Due to the Federal Reserve’s rate increases and the optimistic assessment that the new U.S. administration would give the economy a strong boost, at the beginning of 2017 many analysts expected the euro and U.S. dollar to achieve parity. However, developments on the currency markets ran counter to this expectation: Several countries’ election results in favor of pro-European parties and the European Central Bank’s announcement that it would toughen its relaxed monetary policy resulted in an increase in the value of the euro. The exchange rate on the reporting date was 13.8% higher than last year’s. The annual average USD exchange rate did not move up as strongly, increasing by just 2.1% to 1.13 U.S. dollars per euro.

USD-EUR exchange rate development 2015 – 2017



**Industry developments**

As in previous years, the segments of the life science industry relevant to our business again achieved growth rates of 4–5%, thus developing in line with our expectations. The industrial sectors made a positive contribution to this growth through increased demand following a number of weaker years. The industry’s positive development continued in all regions – from Asia/Pacific/Africa to North and South America and all the way to Europe.

**Operating activities**

Eppendorf develops, produces and sells first-class products and services primarily for academic and industrial laboratories around the world. As a premium provider in the life science industry, we play a leading role on the world’s laboratory products market, particularly in the public sector. It is our goal to strengthen this leadership through ongoing development of the company with a focus on expansion in the strongly growing areas of the life science markets. In the process, we will concentrate on the continual development and expansion of our product portfolio and the steady broadening of our customer base through greater customer access, especially in the industrial sectors. Among the cornerstones of our business strategy is the consolidation of our global market position through targeted investments in our sales structure and in the expansion of our training and service

portfolio. Our goal is to offer our customers high-quality, comprehensive support wherever they work.

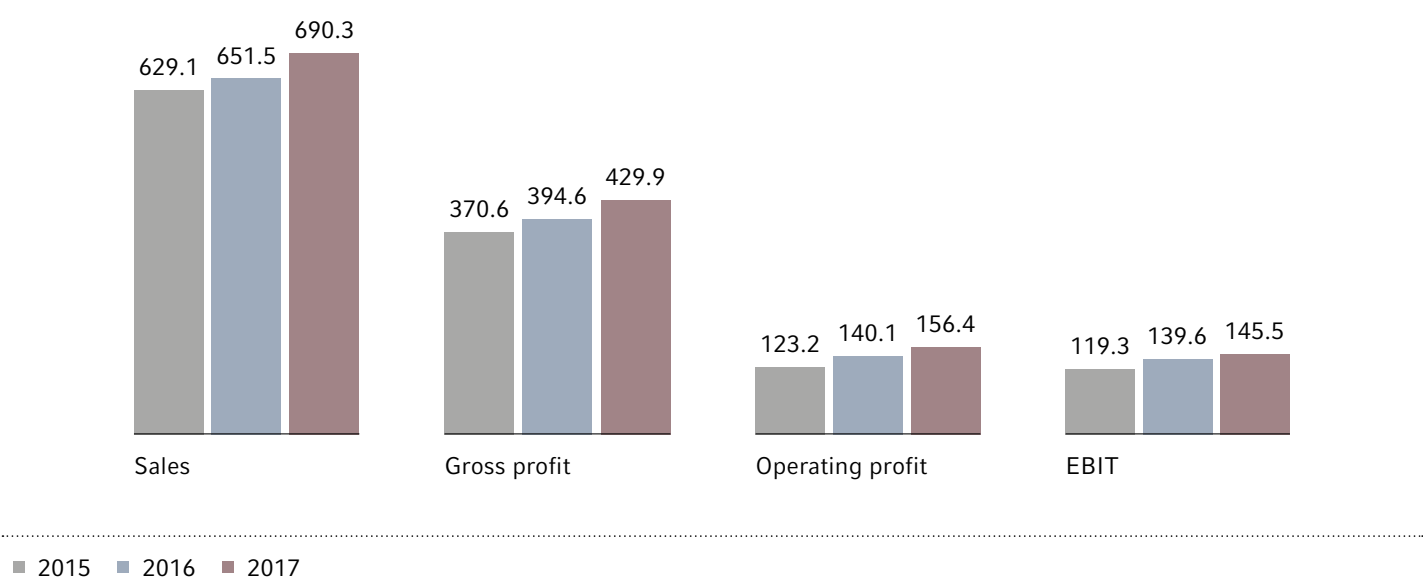
**Financial summary**

The 2017 fiscal year was a very successful one for Eppendorf, with all regions contributing to the company’s positive business development. Group sales grew by 6.0% overall. Measured in local currencies, the Group achieved growth of 7.9%, which is well above the global industry growth. Our goals of achieving growth in the mid-single digits and slightly above the industry average were therefore more than met.

Due to the very good development of our sales as well as positive currency effects, we managed to increase our operating result by 11.6% despite the disproportionate rise in operating costs as a result of additional strategic investments.

Key business development figures are presented in the graphic below:

Key performance data in € millions





Sales trend

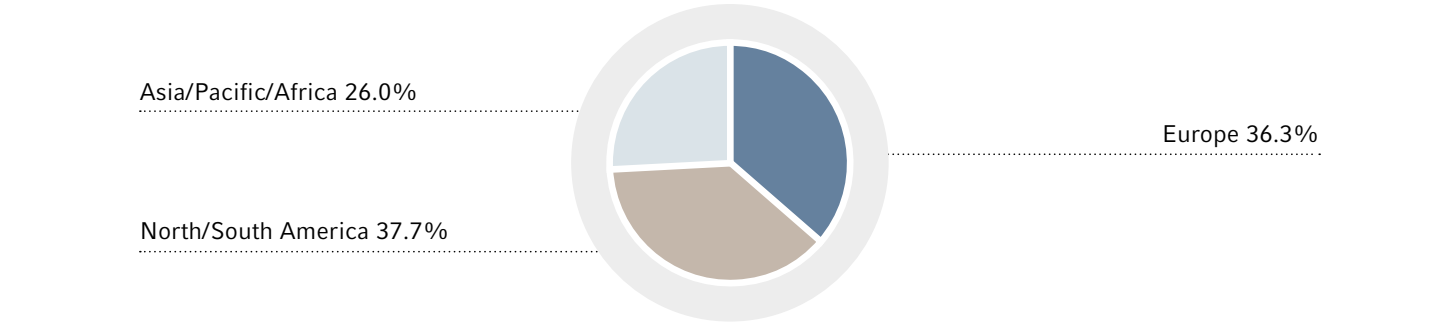
In fiscal year 2017, Eppendorf achieved Group sales of €690.3 million (prior year: €651.5 million), which amounts to an increase of 6.0% or 7.9% when measured in local currencies. All sales regions contributed equally to the increase in net sales.

In North and South America, sales in local currencies rose by 7.6% and were thus higher than expected. Our bio-process activities developed particularly positively here.

The development of our sales in Europe was also very satisfactory. With a sales plus in local currencies of 8.9%, Eppendorf's sales development was well above the industry average. Double-digit growth rates in Eastern Europe and in our OEM business accounted for a substantial part of the sales development in this region.

Sales in the Asia/Pacific/Africa region rose by 6.8% in local currencies, with the gains in China contributing in particular to our growth in the region. In contrast, business development in India fell short of expectations.

Sales by region



| in € millions       | +/-<br>previous<br>year | 2017  | 2016  | 2015  | +/- previous<br>year in local<br>currencies |
|---------------------|-------------------------|-------|-------|-------|---|
| North/South America | +5.5%                   | 260.1 | 246.5 | 242.1 | +7.6%                                       |
| Europe              | +7.7%                   | 250.4 | 232.5 | 230.7 | +8.9%                                       |
| Asia/Pacific/Africa | +4.2%                   | 179.8 | 172.5 | 156.3 | +6.8%                                       |
| Net sales           | +6.0%                   | 690.3 | 651.5 | 629.1 | +7.9%                                       |

Selected financial data

In fiscal year 2017, gross profit increased to €429.9 million (prior year: €394.6 million) and the gross profit margin rose to 62.3% (prior year: 60.6%). This rate of increase can be attributed purely to positive currency effects.

Operating expenses rose by 7.5% to a total of €273.5 million (prior year: €254.5 million). The increase in expenses is mainly owed to planned strategic investments. In relation to sales, operating expenses therefore also rose slightly from 39.1% to 39.6%.

With an operating profit of €156.4 million (prior year: €140.1 million), we were able to improve our profitability further, and our return on sales increased from 21.5% to 22.7%.

Other expenses/income during the reporting year consisted mainly of the amortization of intangible assets from acquisitions in the amount of €4.7 million (prior year: €5.6 million), and net expenses from currency conversion totaling €4.1 million (prior year: net proceeds €2.6 million).

Income from operations (EBIT) in 2017 amounted to €145.5 million (prior year: €139.6 million), thus achieving an increase of 4.2% over the year before. The EBIT margin was 21.1% (prior year: 21.4%).

Net income declined to €92.1 million (prior year: €96.3 million). This decline can be traced exclusively to an increase in deferred tax expenses as a result of the federal U.S. corporate tax rate being reduced from 35% to 21%.

Selected financial data

| in € millions                     | 2017   | %     | 2016   | %     | 2015   | %     |
|-----------------------------------|--------|-------|--------|-------|--------|-------|
| Net sales                         | 690.3  | 100.0 | 651.5  | 100.0 | 629.1  | 100.0 |
| Cost of sales                     | -260.4 | -37.7 | -256.9 | -39.4 | -258.5 | -41.1 |
| Gross profit                      | 429.9  | 62.3  | 394.6  | 60.6  | 370.6  | 58.9  |
| Sales and marketing expenses      | -181.7 | -26.3 | -169.0 | -25.9 | -166.7 | -26.5 |
| Research and development expenses | -36.5  | -5.3  | -34.8  | -5.3  | -31.9  | -5.1  |
| Administrative expenses           | -55.3  | -8.0  | -50.7  | -7.9  | -48.8  | -7.7  |
| Operating expenses                | -273.5 | -39.6 | -254.5 | -39.1 | -247.4 | -39.3 |
| Operating profit                  | 156.4  | 22.7  | 140.1  | 21.5  | 123.2  | 19.6  |
| Other expenses/income             | -10.9  | -1.6  | -0.5   | -0.1  | -3.9   | -0.6  |
| Income from operations (EBIT)     | 145.5  | 21.1  | 139.6  | 21.4  | 119.3  | 19.0  |
| Net income                        | 92.1   | 13.3  | 96.3   | 14.8  | 80.8   | 12.8  |



Financial position and capital investments

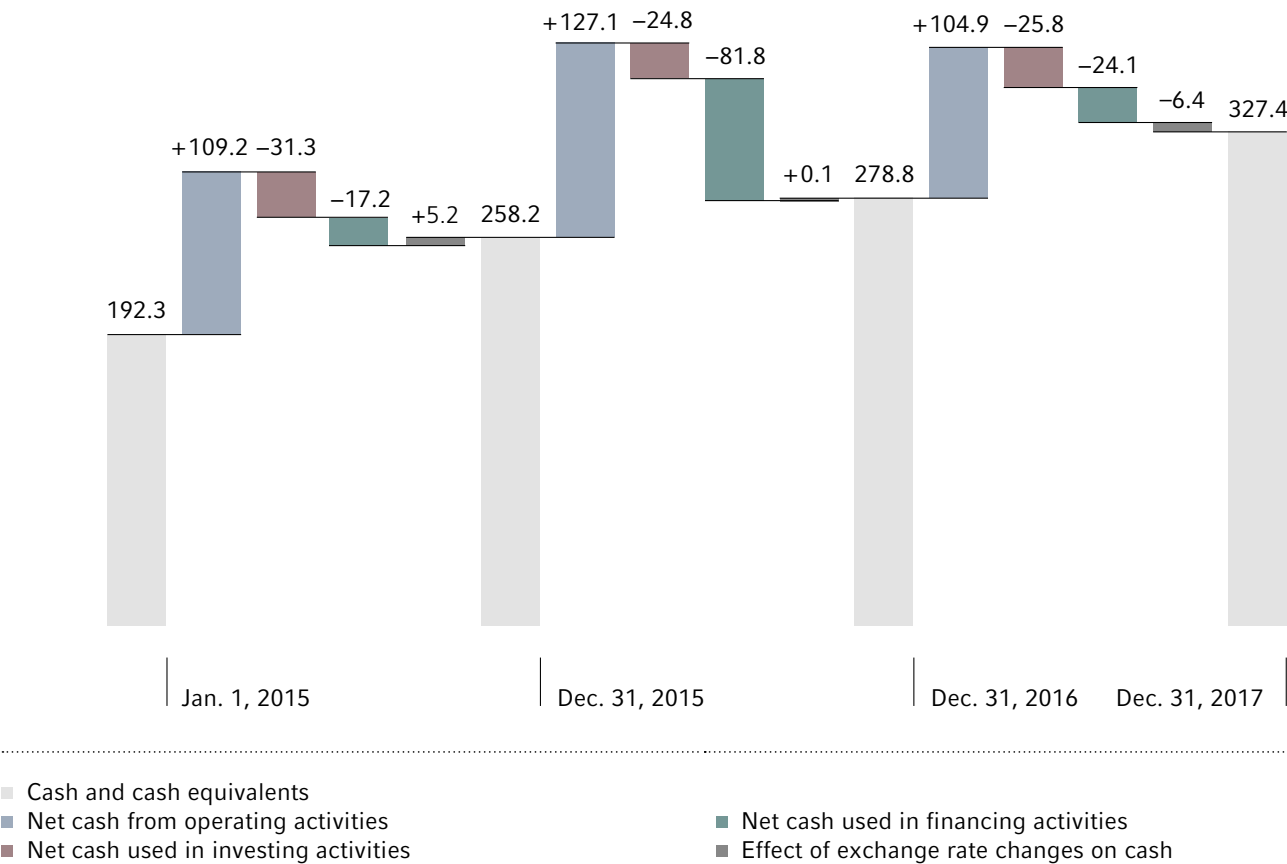
Owing to high outpayments for tax liabilities and provisions in the fourth quarter of 2017, net cash generated by operating activities declined to €104.9 million (prior year: €127.1 million).

Net cash from investments increased nominally to €25.8 million (prior year: €24.8 million). We had outlays in 2017 of €23.2 million for the acquisition of new property, plant, and equipment (prior year: €22.2 million).

Net cash used in financing activities declined to €24.1 million (prior year: €81.8 million). The high level of net cash used in financing activities that we had in 2016 was the result of a full disbursement of the previous year's consolidated result.

Overall, net bank deposits increased in 2017 by €48.6 million to €327.4 million (prior year: €278.8 million).

Changes in cash position and cash equivalents 2015 – 2017 in € millions



Assets, equity and liabilities

The company’s assets, equity and liabilities are valued using figures based on the exchange rates valid on the respective reporting date. On the whole, the assets and liabilities of our foreign subsidiaries decreased in value as a result of exchange rate developments.

We invested €26.0 million in property, plant, equipment, and intangible assets during the reporting year (prior year: €25.2 million), with 58.6% of the purchases representing investments in our manufacturing capacities. Depreciation, amortization and impairment losses amounted to €27.2 million (prior year: €27.1 million).

Intangible assets from acquisitions are composed of goodwill amounting to €47.8 million (prior year: €52.6 million), and acquired customer bases, brands, and technologies amounting to €14.5 million (prior year: €20.4 million), with the decrease in goodwill attributable purely to currency effects.

Other assets declined mainly due to the decreased recognition of deferred tax assets as a result of a tax rate adjustment in the United States.

Provisions for pensions and similar obligations were subject to occasionally strong fluctuations spurred by yearly changes in discount rates. The decline can be traced to an increase in the discount rate over the year before. The resulting actuarial gains or losses have been recognized directly in equity.

The decline in other liabilities is the result of lower provisions for income taxes and a decreased recognition of deferred tax assets, which had to be recalculated as part of a U.S. tax reform.

| Assets   |                   |               |               |               |
|--|-------------------|---------------|---------------|---------------|
| in € millions  | +/- previous year | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
| Cash and cash equivalents                              | +17.4%            | 327.4         | 278.8         | 258.2         |
| Trade accounts receivable                              | +3.9%             | 118.5         | 114.0         | 108.9         |
| Inventories  | +0.8%             | 146.7         | 145.6         | 138.7         |
| Property, plant, equipment, and intangible assets      | -4.6%             | 136.8         | 143.4         | 145.2         |
| Goodwill and intangible assets from equity investments | -14.7%            | 62.3          | 73.0          | 75.9          |
| Investments in associates                              | -31.4%            | 1.3           | 1.8           | 1.8           |
| Other assets   | -14.3%            | 77.0          | 89.9          | 82.2          |
| Total assets   | +2.8%             | 870.0         | 846.5         | 810.9         |

| Equity and liabilities                           |                   |               |               |               |
|--|-------------------|---------------|---------------|---------------|
| in € millions                                    | +/- previous year | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
| Borrowings from banks                            | +0.0%             | 0.0           | 0.0           | 0.0           |
| Trade accounts payable                           | +3.2%             | 23.1          | 22.4          | 18.2          |
| Short-term provisions                            | -10.3%            | 55.6          | 62.0          | 62.9          |
| Provisions for pensions and similiar obligations | -3.4%             | 166.9         | 172.8         | 153.6         |
| Other liabilities                                | -32.2%            | 37.0          | 54.6          | 47.7          |
| Equity   | +9.9%             | 587.4         | 534.7         | 528.5         |
| Total equity and liabilities                     | +2.8%             | 870.0         | 846.5         | 810.9         |

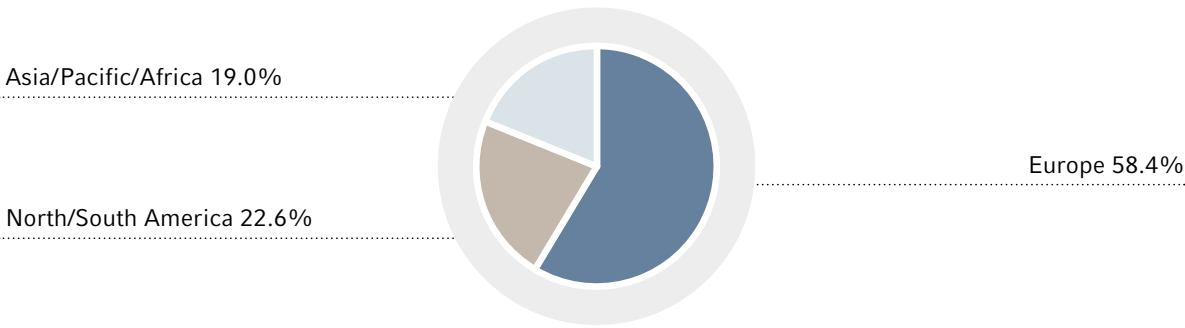
Employees

Eppendorf considers itself a learning organization and creates an agile work environment where everyone embraces change and progress. This enables us always to stay one step ahead. We rely on cooperation across different roles, divisions and hierarchies to search for the best possible solutions and create a dynamic learning environment in which we all take responsibility for our actions. As a globally operating company, Eppendorf offers a variety of training and career opportunities that promote lifelong learning. In this way, we support all of our employees on their way to

reaching their personal goals. In the process, our corporate values are always at the center of our actions, making us a reliable partner.

The Eppendorf Group employed an average of 3,134 people worldwide in fiscal year 2017, compared with 3,029 the year before (all employee figures represent full-time equivalents or FTEs). This corresponds to a 3.5% increase in employee numbers. On December 31, 2017 we had 3,167 employees (FTE) worldwide (prior year: 3,078).

Employees by region



| Annual average      | +/- previous year | 2017  | 2016  | 2015  |
|---------------------|-------------------|-------|-------|-------|
| Europe              | +5.8 %            | 1,832 | 1,731 | 1,674 |
| North/South America | +0.6 %            | 707   | 703   | 715   |
| Asia/Pacific/Africa | No change         | 595   | 595   | 580   |
| Total               | +3.5 %            | 3,134 | 3,029 | 2,969 |



Risk management

Apart from general business risks, such as market changes, Eppendorf is exposed to specific risks largely associated with its global business, its customer base and sales channels, technological developments, and competitor products. The most important risks are described in the following risk categories.

As a company that operates globally, Eppendorf is exposed to financial risks. A relatively large share of our sales transactions is billed in U.S. dollars. We compensate for the associated exchange rate risk in part by undertaking our own manufacturing in dollar-denominated territories, and in part through currency hedging transactions that are regularly reviewed on the basis of developments expected on the international financial markets.

Market and business environment risks can also influence our business. Economic and political changes in individual countries can have a negative effect on the strength of the company's sales and earnings. For this reason, our regional sales management monitors local market trends and, if necessary, initiates cyclical or anticyclical measures.

Our business is also subject to industry-specific risks. Our customers are primarily active in life science research, thus reductions in R&D budgets or public and private funding

may adversely affect our sales. We counter this risk through diversification of our customer segments and the breadth of our product portfolio.

It is part of Eppendorf's strategy to introduce innovative products and applications to the market on an ongoing basis. However, this policy is associated with a variety of product risks, since it often involves new and cutting-edge technologies for which only limited experience of use is available, and which lie at the fringes of what is technically feasible. This could negatively affect product development or delay the introduction of new products. If these products are lacking in maturity and quality, this may result in warranty and product liability obligations or delivery problems. To minimize such risks, Eppendorf has introduced a comprehensive quality assurance and project management system.

As a globally operating company, Eppendorf is dependent on the use of information technologies. This harbors risks with regard to data confidentiality and availability as well as the security of IT systems. Due to the increasing threat to information security, including external threats, risk minimization measures are becoming even more important. We always keep our security systems up to date to minimize data loss and protect systems and networks.

The ongoing search for suitable new products, technologies and applied fields is an integral part of our business strategy. For Eppendorf, opportunities emerge in particular through the use of our products in areas that offer great potential for growth, such as laboratories where medical and basic scientific research is performed, the biotechnology and pharmaceutical industries, and the health and food industries. These industries profit from favorable factors such as increased life expectancy, rising health demands, and demands on food quality and safety as well as environmental protection. This is particularly true for strongly growing economies, which need to catch up in these areas.

Moreover, opportunities arise through the further stabilization of the global economy and positive exchange rate movements. In particular, increases in the value of the U.S. dollar against the euro have a positive effect on our business.

Outlook

The World Bank expects a 3.1% rise in the global gross domestic product (GDP) in 2018. Individual non-economic risks, such as increasing protectionism, are not included in this forecast. Furthermore, the World Bank assumes that global economic growth over the coming years will continue to develop along the same lines, with similar gains as in recent years. It does not anticipate any great differences between regions, despite emerging and developing countries having more growth opportunities.

The development of the life science industry in 2018 is likely to be similar to last year's. Based on observations in recent years, we expect the segments relevant to us to grow a little more strongly than the world's economy once again. In addition, we anticipate that growth rates will be stable in all regions.

On the basis of the industry-related and economic trends described here, we believe our business development will be positive overall. In fiscal year 2018, we anticipate growth for Eppendorf in the mid-single digits, slightly above the industry average. Further strategic investments are planned for the year ahead. In view of the higher costs associated with these investments, we estimate that our operating profit, when adjusted for currency effects, will remain at the same level as the year before.

# Consolidated Financial Statements

according to the IFRS (abbreviated version)

The information below provides an overview of the consolidated financial statements in accordance with the IFRS. They were audited by Ernst & Young® GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Hamburg office, and recived an unqualified auditor's opinion.

## Consolidated income statement

for the period from January 1 to December 31, 2017

| in € thousands   | 2017     | 2016     | 2015     |
|--|----------|----------|----------|
| Net sales  | 690,336  | 651,544  | 629,141  |
| Cost of sales  | -260,485 | -256,914 | -258,588 |
| Gross profit   | 429,851  | 394,630  | 370,553  |
| Sales and marketing expenses                                 | -181,735 | -168,957 | -166,682 |
| Research and development expenses                            | -36,489  | -34,787  | -31,911  |
| Administrative expenses                                      | -55,265  | -50,747  | -48,764  |
| Operating profit   | 156,362  | 140,139  | 123,196  |
| Other income   | -6,149   | 5,064    | 2,026    |
| Amortization of intangible assets from investment activities | -4,702   | -5,584   | -5,966   |
| Income from operations (EBIT)                                | 145,511  | 139,619  | 119,256  |
| Financial result   | 335      | 279      | 374      |
| Share of profit of associates                                | 72       | 103      | -611     |
| Income before tax  | 145,918  | 140,001  | 119,019  |
| Income taxes   | -53,806  | -43,736  | -38,184  |
| Net income   | 92,112   | 96,265   | 80,835   |
| Thereof attributable to                                      |          |          |          |
| Equity holders of the parent                                 | 91,464   | 95,766   | 80,541   |
| Non-controlling interests                                    | 648      | 499      | 294      |

## Consolidated balance sheet

at December 31, 2017

| Assets   |               |               |               |
|--|---------------|---------------|---------------|
| in € thousands   | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
| Cash and cash equivalents                              | 327,424       | 278,798       | 258,228       |
| Trade accounts receivable                              | 118,489       | 114,013       | 108,896       |
| Inventories  | 146,705       | 145,561       | 138,745       |
| Other current assets                                   | 16,269        | 14,259        | 17,194        |
| Current assets   | 608,887       | 552,631       | 523,063       |
| Property, plant, equipment, and intangible assets      | 136,840       | 143,372       | 145,247       |
| Goodwill and intangible assets from equity investments | 62,260        | 72,986        | 75,908        |
| Investments in associates                              | 1,255         | 1,830         | 1,801         |
| Other non-current assets                               | 472           | 785           | 1,566         |
| Deferred tax assets                                    | 60,267        | 74,861        | 63,293        |
| Non-current assets                                     | 261,094       | 293,834       | 287,814       |
| Total assets   | 869,981       | 846,465       | 810,877       |

## Equity and liabilities

|   |               |               |               |
|---|---------------|---------------|---------------|
| in € thousands                                  | Dec. 31, 2017 | Dec. 31, 2016 | Dec. 31, 2015 |
| Borrowings from banks                           | 0             | 0             | 0             |
| Trade accounts payable                          | 23,081        | 22,371        | 18,160        |
| Provisions for income taxes                     | 5,761         | 13,180        | 8,504         |
| Other short-term provisions                     | 55,584        | 61,991        | 62,896        |
| Other current liabilities                       | 23,154        | 27,293        | 23,845        |
| Current liabilities                             | 107,580       | 124,835       | 113,405       |
| Provisions for pensions and similar obligations | 166,892       | 172,788       | 153,611       |
| Other non-current liabilities                   | 1,037         | 1,802         | 1,317         |
| Deferred tax liabilities                        | 7,105         | 12,365        | 13,998        |
| Non-current liabilities                         | 175,034       | 186,955       | 168,926       |
| Common stock                                    | 51,132        | 51,132        | 51,132        |
| Retained earnings and other reserves            | 532,737       | 480,584       | 473,720       |
| Non-controlling interests                       | 3,498         | 2,959         | 3,694         |
| Total equity                                    | 587,367       | 534,675       | 528,546       |
| Total equity and liabilities                    | 869,981       | 846,465       | 810,877       |



Consolidated cash flow statement

for the period from January 1 to December 31, 2017

| in TEUR  | 2017    | 2016    | 2015    |
|--|---------|---------|---------|
| Cash flow                                      | 131,448 | 125,509 | 111,085 |
| Changes in short-term assets and liabilities   | -26,599 | 1,596   | -1,854  |
| Net cash provided by operating activities      | 104,849 | 127,105 | 109,231 |
| Net cash used in investing activities          | -25,775 | -24,840 | -31,303 |
| Net cash used in financing activities          | -24,102 | -81,757 | -17,185 |
| Effects of changes in exchange rates on cash   | -6,346  | 62      | 5,187   |
| Net change in cash and cash equivalents        | 48,626  | 20,570  | 65,930  |
| Cash and cash equivalents at beginning of year | 278,798 | 258,228 | 192,298 |
| Cash and cash equivalents at end of year       | 327,424 | 278,798 | 258,228 |

Report of the Supervisory Board

In the year under review, the Supervisory Board of Eppendorf AG continuously monitored and advised the Management Board. The Management Board provided the Supervisory Board with regular, timely, and comprehensive information about the company’s business performance and major business transactions. In addition, the Chairman of the Supervisory Board was kept constantly informed by the Chairman of the Executive Board and was consulted in cases of doubt or far-reaching decisions.

The Supervisory Board convened for a total of five meetings during the fiscal year now ended. During these meetings, the Supervisory Board focused on the financial situation and business development of the Group. The emphasis was on the revenue trend and earnings situation of the company and its affiliated businesses. In addition, there were discussions on development projects, capital expenditure plans, and other business transactions of particular significance for the Group. Transactions requiring the approval of the Supervisory Board were reviewed in detail and discussed jointly by the Supervisory and Management Boards.

The Supervisory Board continues to have two committees, the Audit Committee and a Compensation Committee, which prepare the deliberations and resolutions of the Supervisory Board. The chairpersons of these committees report regularly at meetings of the Supervisory Board about the work of the committees.

Effective October 1, 2017, Ms. Eva van Pelt was appointed to the Management Board of Eppendorf AG, taking on the function of Chief Commercial Officer.

As of January 10, 2018, Dr. Michael Schroeder stepped down from his position as a member of the Supervisory Board.

The consolidated annual financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). These accounts, the annual financial statements of Eppendorf AG, and the management reports for the company and the Group were examined by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft,

Stuttgart, who was elected by the Annual General Meeting and commissioned by the Supervisory Board. On March 8, 2018, the auditor issued an unqualified opinion. The documents named above and the associated audit reports, including the relevant reports prepared by the Management Board, were made available to all members of the Supervisory Board and were discussed.

The Audit Committee specifically analyzed the annual and interim financial statements and obtained information about the activities of the Internal Audit Department. It performed a detailed review of the annual financial statements and management report, the consolidated annual financial statements, and the Group management report of Eppendorf AG, and recommended that the Supervisory Board approve both the annual financial statements and the consolidated annual financial statements of Friday, March 2, 2018.

The auditor informed the Supervisory Board of the key findings of its audit. The Supervisory Board concurred with the audit result and the Audit Committee’s review, and concluded, on the basis of its own review, that there were no objections to be raised. The Supervisory Board approved the consolidated financial statements prepared by the Management Board on Friday, March 2, 2018, and the annual financial statements of Eppendorf AG. The annual financial statements are hereby established. In addition, the Supervisory Board also reviewed and approved the profit appropriation resolution.

The Supervisory Board would like to thank the Management Board and all the employees of the Eppendorf Group in Germany and internationally for their dedicated efforts and successful work for the company in fiscal year 2017.

Hamburg, Wednesday, March 29, 2018



Philipp von Loeper  
Chairman of the Supervisory Board

# Boards and Committees

## Supervisory Board

- Philipp von Loeper**  
Chairman
- Prof. Dr. Elmar Hinz**  
Vice Chairman  
since January 1, 2017
- William A. Linton**  
Vice Chairman  
since January 9, 2017  
Chairman and CEO  
Promega Corp.
- Dr. Michael Schroeder**  
to January 10, 2018
- Dirk Höft**  
Employee representative
- Marlis Kripke**  
Employee representative

## Management Board

- Thomas Bachmann**  
Chairman
- Detmar Ammermann**  
Vice Chairman and  
Chief Financial Officer
- Eva van Pelt**  
Chief Commercial Officer  
since October 1, 2017
- Dr. Wilhelm Plüster**  
Chief Technology Officer

## Scientific Advisory Committee

- Prof. Dr. med. Cornelius Knabbe**  
Spokesman  
Universitätsklinikum der  
Ruhr-Universität Bochum, Germany
- Michael Ehlers, M. D., Ph. D.**  
Biogen, Massachusetts, USA
- Dr. Heinz Gerhard Köhn**
- Prof. Dr. Jörg Lahann**  
Biointerfaces Institute, University  
of Michigan, Michigan, USA

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