Life Science

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Key figures

€ million	2020	2019	Change € million	Change %
Net sales	7,515	6,864	651	9.5%
Operating result (EBIT)[1]	1,599	1,280	318	24.9%
Margin (% of net sales)[1]	21.3%	18.7%		
EBITDA[1]	2,387	2,070	317	15.3%
Margin (% of net sales)[1]	31.8%	30.2%		
EBITDA pre[1]	2,405	2,129	276	13.0%
Margin (% of net sales)[1]	32.0%	31.0%		
Business free cash flow[1]	**1,595**	**1,375**	**220**	**16.0%**

[1] Not defined by International Financial Reporting Standards (IFRS).

Development of sales and results of operations

In fiscal 2020, Life Science posted organic sales growth of 11.8% with unfavorable foreign exchange impact of -2.3%, resulting in a total net sales growth of 9.5% compared to the previous year. All three business units contributed to the organic growth, with the largest contribution coming from Process Solutions followed by Research Solutions. Overall, Life Science net sales increased to € 7,515 million (2019: € 6,864 million).

The development of sales in the individual quarters in comparison with 2019 as well as the respective organic growth rates are presented in the following graph:

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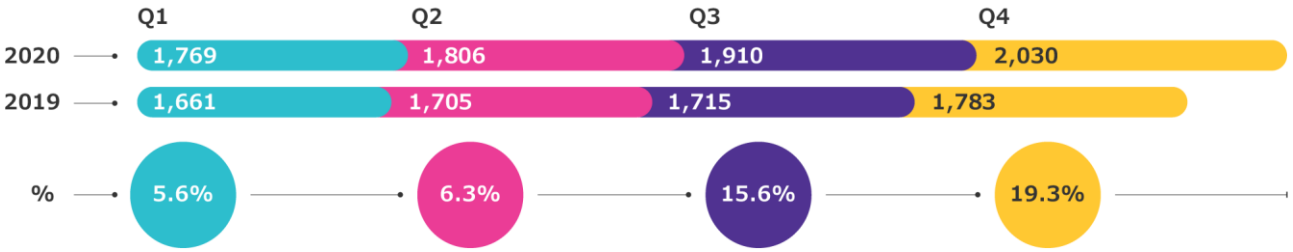
Net sales and organic growth[1] by quarter[2]
€ million/organic growth in %



[1] Not defined by International Financial Reporting Standards (IFRS).
[2] Quarterly breakdown unaudited.

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Net sales by business unit[1]

€ million	2020	Share	Organic growth[2]	Exchange rate effects	Acquisitions/ divestments	Total change	2019	Share
Process Solutions	3,596	48%	21.8%	-2.1%	–	19.8%	3,002	44%
Research Solutions	2,215	29%	4.6%	-2.5%	–	2.1%	2,170	31%
Applied Solutions	1,704	23%	3.3%	-2.6%	–	0.8%	1,692	25%
Life Science	**7,515**	**100%**	**11.8%**	**-2.3%**	**–**	**9.5%**	**6,864**	**100%**

[1] Previous year's figures have been adjusted due to internal realignment.
[2] Not defined by International Financial Accounting Standards (IFRS).

The Process Solutions business unit, which markets products and services for the pharmaceutical production value chain, generated organic sales growth of 21.8%, which was the highest rate within the Life Science business sector. The business experienced strong demand in both Covid-19 and non Covid-19 related product and service offerings. With an unfavorable foreign exchange rate effect of -2.1%, net sales amounted to € 3,596 million in fiscal 2020 (2019: € 3,002 million). The percentage contribution of the Process Solutions business unit to Life Science total net sales rose by 4 percentage points to 48%. All regions experienced double-digit organic sales growth within Process Solutions.

The Research Solutions business unit, which provides products and services to support life science research for pharmaceutical, biotechnology, and academic research laboratories, recorded an organic sales growth of 4.6% in 2020. This was due to a recovery of the base business in the second half of 2020 combined with some tailwind in Covid-19 demand. Amid an unfavorable foreign exchange rate effect of -2.5%, net sales totaled € 2,215 million in 2020 (2019: € 2,170 million). Research Solutions thus accounted for 29% of Life Science total net sales. The organic sales growth was reported in Asia-Pacific, North America and Europe.

The Applied Solutions business unit with its broad range of products for researchers as well as scientific and industrial laboratories, accounted for a 23% share of Life Science sales. Applied Solutions recorded an organic sales growth of 3.3% in 2020. The Applied Solutions product portfolio faced some slowdown in customer demand due to Covid-19 related lockdowns, in particular in the first half of 2020. With an unfavorable foreign exchange rate effect of -2.6%, sales totaled € 1,704 million in 2020 (2019: € 1,692 million). Applied Solutions saw organic sales growth in all regions apart from Middle East and Africa.

Net sales of the business sector by region developed as follows:

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Net sales by region

€ million	2020	Share	Organic growth[1]	Exchange rate effects	Acquisitions/ divestments	Total change	2019	Share
Europe	2,583	35%	13.6%	-0.2%	–	13.4%	2,277	33%
North America	2,701	36%	11.6%	-2.4%	–	9.2%	2,474	36%
Asia-Pacific (APAC)	1,900	25%	11.5%	-2.5%	–	9.0%	1,743	26%
Latin America	241	3%	5.1%	-18.3%	–	-13.2%	278	4%
Middle East and Africa (MEA)	89	1%	–	-3.3%	–	-3.3%	92	1%
Life Science	**7,515**	**100%**	**11.8%**	**-2.3%**	**–**	**9.5%**	**6,864**	**100%**

[1] Not defined by International Financial Accounting Standards (IFRS).

The following table presents the composition of EBITDA pre for 2020 in comparison with 2019. The International Financial Reporting Standards (IFRS) figures have been modified to reflect the elimination of adjustments included in the respective functional costs.

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Reconciliation EBITDA pre[1]

	2020			2019			Change
€ million	IFRS	Elimination of adjustments	Pre[1]	IFRS	Elimination of adjustments	Pre[1]	Pre[1]
Net sales	**7,515**	**–**	**7,515**	**6,864**	**–**	**6,864**	**9.5%**
Cost of sales	-3,215	5	-3,210	-2,962	5	-2,957	8.6%
Gross profit	**4,300**	**5**	**4,305**	**3,903**	**5**	**3,908**	**10.2%**
Marketing and selling expenses	-1,995	4	-1,992	-1,924	2	-1,922	3.6%
Administration expenses	-354	32	-322	-341	34	-307	4.6%
Research and development costs	-313	1	-312	-276	–	-276	13.1%
Impairment losses and reversals of impairment losses on financial assets (net)	-1	–	-1	-7	–	-7	-79.9%
Other operating income and expenses	-38	-21	-59	-75	19	-56	5.4%
Operating result (EBIT)[1]	**1,599**			**1,280**			
Depreciation/amortization/ impairment losses/reversals of impairment losses	789	-3	786	789	–	789	-0.4%
EBITDA[1]	**2,387**			**2,070**			
Restructuring expenses	16	-16	–	13	-13	–	
Integration expenses/IT expenses	32	-32	–	36	-36	–	
Gains (-)/losses (+) on the divestment of businesses	–	–	–	9	-9	–	
Acquisition-related adjustments	-30	30	–	2	-2	–	
Other adjustments	–	–	–	–	–	–	
EBITDA pre[1]	**2,405**	**–**	**2,405**	**2,129**	**–**	**2,129**	**13.0%**
of which: organic growth[1]							17.2%
of which: exchange rate effects							-3.8%
of which: acquisitions/ divestments							-0.5%

[1] Not defined by International Financial Reporting Standards (IFRS).

Adjusted gross profit increased by 10.2% to € 4,305 million (2019: € 3,908 million). The increase was mainly driven by the strong sales development. Marketing and selling expenses increased by 3.6% to € 1,992 million (2019: € 1,922 million), with higher logistics costs as the main driver. Administration expenses increased by 4.6% to € 322 million (2019: € 307 million) and research and development costs increased by 13.1% to € 312 million (2019: € 276 million). After eliminating adjustments, amortization, and depreciation, EBITDA pre rose by 13.0% to € 2,405 million (2019: € 2,129 million) reflecting the strong performance of the Life Science business. Organically, EBITDA pre increased by 17.2% in 2020. The result margin, i.e. EBITDA pre as a percentage of net sales, improved to 32.0% in 2020 (2019: 31.0%).

The development of EBITDA pre in the individual quarters in comparison with 2019 is presented in the following overview:

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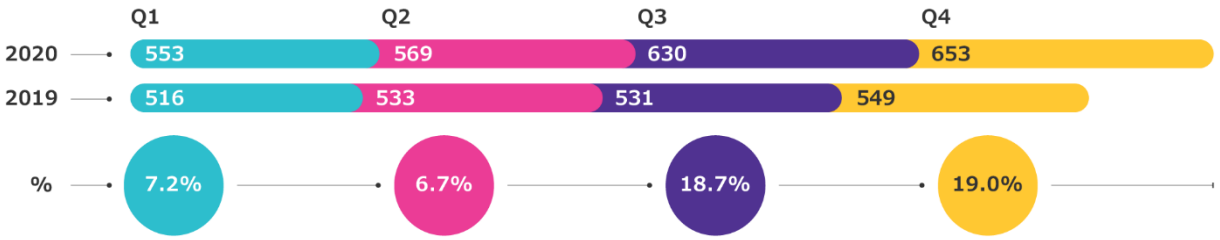
EBITDA pre[1] and change by quarter[2]
€ million/change in %



[1] Not defined by International Financial Reporting Standards (IFRS).
[2] Quarterly breakdown unaudited.

Development of business free cash flow

In 2020, Life Science generated business free cash flow which amounted to € 1,595 million (2019: € 1,375 million). This positive development was mainly driven by higher EBITDA pre as well as a decrease in inventories partly offset by increased capital spending.

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Business free cash flow[1]

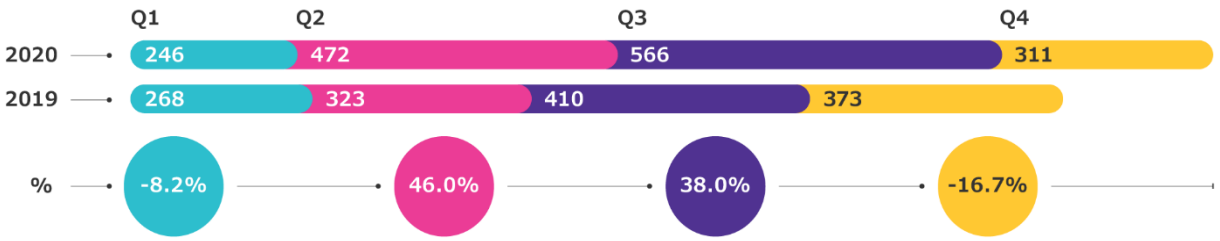
€ million	**2020**	2019	Change € million	Change %
EBITDA pre[1]	2,405	2,129	276	13.0%
Investments in property, plant and equipment, software as well as advance payments for intangible assets	-693	-384	-309	80.4%
Changes in inventories	13	-232	246	>100.0%
Changes in trade accounts receivable as well as receivables from royalties and licenses	-75	-81	6	-7.8%
Lease payments[2]	-56	-56	–	-0.4%
Elimination first-time consolidation	–	1	-1	-100.0%
Business free cash flow[1]	**1,595**	**1,375**	**220**	**16.0%**

[1] Not defined by International Financial Reporting Standards (IFRS).
[2] Excluding payments for low-value leases and interest components included in lease payments.

The development of business free cash flow in the individual quarters in comparison with 2019 is presented in the following overview:

Life Science

Business free cash flow[1] and change by quarter[2]
€ million/change in %



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