

Healthcare

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Key figures

€ million	2022	2021	Change	
			€ million	%
Net sales	7,839	7,089	750	10.6%
Operating result (EBIT) ¹	1,895	1,823	72	3.9%
Margin (% of net sales) ¹	24.2%	25.7%		
EBITDA ²	2,385	2,146	239	11.2%
Margin (% of net sales) ¹	30.4%	30.3%		
EBITDA pre ¹	2,477	2,153	323	15.0%
Margin (% of net sales) ¹	31.6%	30.4%		

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

² Not defined by International Financial Reporting Standards (IFRS); EBITDA corresponds to operating result (EBIT) adjusted by depreciation, amortization, impairment losses, and reversals of impairment losses.

Development of sales and results of operations

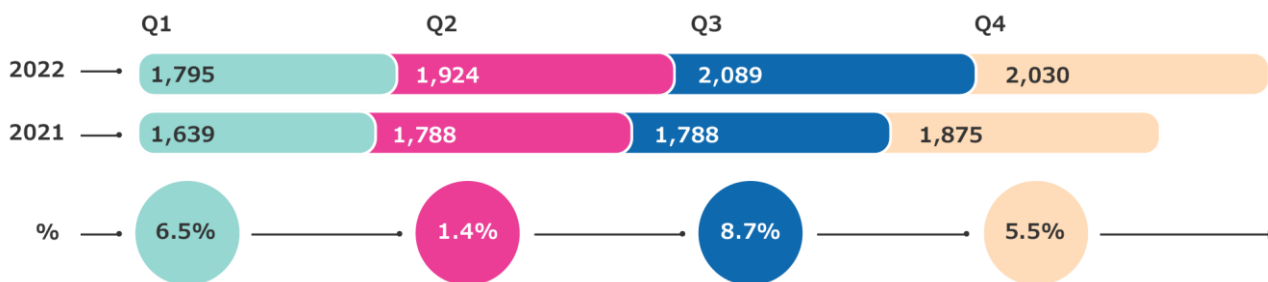
The Healthcare business sector reported organic sales growth of 5.5% in fiscal 2022. Including positive foreign exchange effects of 5.1%, net sales totaled € 7,839 million (2021: € 7,089 million). The positive foreign exchange effects were attributable in particular to the development of the U.S. dollar and the Chinese renminbi.

The net sales in the individual quarters as well as the respective organic growth rates in 2022 are presented in the following graph:

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Net sales and organic growth¹ by quarter²

€ million/organic growth in %



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

² Quarterly breakdown unaudited.

Net sales of the key product lines and products developed as follows in 2022:

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Net sales by major product lines/products

€ million	2022	Share	Organic growth ¹	Exchange rate effects	Total change	2021	Share
Oncology	1,683	22%	16.9%	2.3%	19.2%	1,411	20%
thereof: Erbitux®	1,023	13%	2.7%	1.0%	3.6%	987	14%
thereof: Bavencio®	611	8%	57.9%	5.8%	63.8%	373	5%
Neurology & Immunology	1,743	22%	-0.5%	6.5%	6.0%	1,645	23%
thereof: Rebif®	887	11%	-13.2%	6.4%	-6.8%	952	13%
thereof: Mavenclad®	856	11%	16.9%	6.6%	23.6%	693	10%
Fertility	1,446	18%	3.9%	4.3%	8.2%	1,337	19%
thereof: Gonal-F®	825	11%	3.1%	4.4%	7.5%	767	11%
Cardiovascular, Metabolism and Endocrinology	2,806	36%	4.5%	6.0%	10.5%	2,540	36%
thereof: Glucophage®	930	12%	0.4%	7.2%	7.6%	864	12%
thereof: Concor®	590	8%	6.2%	6.7%	12.9%	523	7%
thereof: Euthyrox®	553	7%	12.8%	4.8%	17.7%	470	7%
thereof: Saizen®	266	3%	7.2%	-0.1%	7.1%	248	3%
Other	161	2%				157	2%
Healthcare	7,839	100%	5.5%	5.1%	10.6%	7,089	100%

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

The oncology drug Erbitux® generated organic sales growth of 2.7% compared with the previous year. Including positive foreign exchange effects of 1.0%, net sales increased by a total of 3.6% to € 1,023 million (2021: € 987 million). The prior-year figure was positively impacted by the temporary partnership with Eli Lilly and Company, United States, which led to net sales of € 59 million in the North America region. Organic growth was driven in particular by the Asia-Pacific region, which recorded organic growth of 9.1% and net sales totaling € 441 million (2021: € 391 million), as well as the similarly important Europe region, where organic growth amounted to 4.8% and net sales totaled € 434 million (2021: € 417 million). Encouraging development was also recorded in the Latin America region, with organic growth of 26.3% and total net sales of € 85 million (2021: € 71 million), and the Middle East and Africa region, with organic growth of 23.3% and net sales of € 62 million (2021: € 49 million).

Thanks to strong organic growth of 57.9% and positive foreign exchange effects of 5.8%, net sales of the oncology drug Bavencio® rose to € 611 million (2021: € 373 million). All regions contributed to this encouraging development, which was mainly driven by further growth in the drug's market share for first-line maintenance treatment for patients with locally advanced or metastatic urothelial carcinoma (UC).

Mavenclad®, for the oral short-course treatment of highly active relapsing multiple sclerosis (MS), saw organic sales growth of 16.9% in fiscal 2022. Including positive foreign exchange effects of 6.6%, total net sales increased to € 856 million (2021: € 693 million). The organic growth of Mavenclad® was driven by higher demand in all regions, especially Europe.

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Product sales and organic growth¹ of Erbitux®, Glucophage® and Rebif® by region – 2022

		Total	Europe	North America	Asia-Pacific (APAC)	Latin America	Middle East and Africa (MEA)
	€ million	1,023	434	–	441	85	62
Erbitux®	Organic growth ¹	2.7%	4.8%	–	9.1%	26.3%	23.3%
	Share	100%	43%	–	43%	8%	6%
	€ million	930	132	–	524	174	100
Glucophage®	Organic growth ¹	0.4%	1.3%	–	–	9.7%	-11.3%
	Share	100%	14%	–	56%	19%	11%
	€ million	887	240	563	9	33	43
Rebif®	Organic growth ¹	-13.2%	-14.9%	-12.4%	-13.4%	6.9%	-24.3%
	Share	100%	27%	63%	1%	4%	5%

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

Net sales of Rebif®, which is used to treat relapsing forms of multiple sclerosis, amounted to € 887 million in fiscal 2022 (2021: € 952 million). The downward trend that was observed in the previous year continued as a result of the persistently difficult competitive situation on the interferon market and the competition from oral dosage forms and high-efficacy MS therapies. This led to an organic decline in net sales of -13.2% even though foreign exchange effects were positive at 6.4%. Net sales in North America, the biggest market for Rebif®, fell by -12.4% organically to € 563 million (2021: € 571 million), while net sales in Europe saw an organic decline of -14.9% to € 240 million (2021: € 286 million).

With organic growth of 4.5% and positive foreign exchange effects of 6.0%, net sales of products from the Cardiovascular, Metabolism and Endocrinology franchise totaled € 2,806 million in fiscal 2022 (2021: € 2,540 million). Sales of the diabetes drug Glucophage® amounted to € 930 million in fiscal 2022 (2021: € 864 million). Following an organic decline in the previous year, Glucophage® returned to slight organic growth of 0.4% in fiscal 2022. Net sales of the beta-blocker Concor® saw organic growth of 6.2% to € 590 million (2021: € 523 million). The thyroid product Euthyrox® enjoyed strong organic growth of 12.8% in fiscal 2022, with net sales increasing to € 553 million (2021: € 470 million). Saizen® also saw encouraging organic growth of 7.2% and increased its net sales to a total of € 266 million (2021: € 248 million).

The Fertility franchise delivered organic growth of 3.9%. Taking into account positive exchange rate effects of 4.3%, global net sales increased to € 1,446 million (2021: € 1,337 million). Gonal-f®, the leading recombinant hormone used in the treatment of infertility, saw organic growth of 3.1% on the back of development in the Asia-Pacific region in particular. Including positive foreign exchange effects of 4.4%, net sales of Gonal-f® increased to € 825 million (2021: € 767 million).

Net sales in the Healthcare business sector by region in 2022 developed as follows:

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Net sales by region

€ million	2022	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	2021	Share
Europe	2,433	31%	8.6%	-1.3%	–	7.3%	2,268	32%
North America	1,781	23%	-5.1%	11.5%	–	6.5%	1,673	23%
Asia-Pacific (APAC)	2,261	29%	8.2%	5.0%	–	13.2%	1,997	28%
Latin America	838	10%	14.9%	7.9%	–	22.8%	682	10%
Middle East and Africa (MEA)	527	7%	3.4%	9.0%	–	12.4%	468	7%
Healthcare	7,839	100%	5.5%	5.1%	–	10.6%	7,089	100%

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

The following table presents the composition of EBITDA pre in fiscal 2022 in comparison with 2021. The IFRS figures have been modified to reflect the elimination of adjustments included in the functional costs.

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Reconciliation EBITDA pre¹

€ million	2022			2021			Change
	IFRS	Elimination of adjustments	Pre ¹	IFRS	Elimination of adjustments	Pre ¹	Pre ¹
Net sales	7,839	–	7,839	7,089	–	7,089	10.6%
Cost of sales	-1,925	4	-1,921	-1,713	-3	-1,715	12.0%
Gross profit	5,914	4	5,917	5,376	-3	5,374	10.1%
Marketing and selling expenses	-1,644	13	-1,631	-1,600	7	-1,593	2.4%
Administration expenses	-313	18	-296	-313	12	-302	-1.9%
Research and development costs	-1,694	73	-1,622	-1,712	5	-1,707	-5.0%
Impairment losses and reversals of impairment losses on financial assets (net)	2	–	2	5	–	5	-44.9%
Other operating income and expenses	-370	172	-198	67	-8	59	>100.0%
Operating result (EBIT)¹	1,895			1,823			
Depreciation/amortization/impairment losses/reversals of impairment losses	490	-187	303	323	-6	317	-4.3%
EBITDA²	2,385			2,146			
Restructuring expenses	91	-91	–	11	-11	–	
Integration expenses/IT expenses	16	-16	–	9	-9	–	
Gains (-)/losses (+) on the divestment of businesses	-15	15	–	-13	13	–	
Acquisition-related adjustments	–	–	–	–	–	–	
Other adjustments	–	–	–	–	–	–	
EBITDA pre¹	2,477	–	2,477	2,153	–	2,153	15.0%
of which: organic growth ¹							3.3%
of which: exchange rate effects							11.7%
of which: acquisitions/divestments							–

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² Not defined by International Financial Reporting Standards (IFRS); EBITDA corresponds to operating result (EBIT) adjusted by depreciation, amortization, impairment losses, and reversals of impairment losses.

The adjusted gross profit of the Healthcare business sector rose to € 5,917 million in fiscal 2022 (2021: € 5,374 million). At 75.5%, the resulting gross margin was at almost the same level as in the 2021 reporting period (2021: 75.8%).

Adjusted marketing and selling expenses increased by 2.4% year-on-year to € 1,631 million (2021: € 1,593 million). The -5.0% reduction in research and development costs to € 1,622 million (2021: € 1,707 million) was due in part to the comparatively high cost base in the previous year as a result of the provisions that were recognized for subsequent costs from the near-complete discontinuation of the bintrafusp alfa program and the associated cost savings. The termination of the global Phase II study of the drug candidate berzosertib, which was announced in the second quarter of 2022, also led to cost savings. Adjustments to research and development costs in the amount of € 73 million primarily related to costs for transformation programs. The reduction in other operating expenses and income to € -198 million (2021: € 59 million) was mainly due to the final earnings effect of € 123 million in the previous year from the receipt of the previously deferred upfront cash payment for the global strategic alliance with GlaxoSmithKline plc, United Kingdom (GSK), to co-develop and co-commercialize bintrafusp alfa, as well as higher profit transfers from the strategic alliance with Pfizer Inc., United States, to develop and commercialize Bavencio®. In addition, the figure for the previous year included milestone payments of around € 50 million for the approvals of Bavencio® in Europe and Japan as a first-line maintenance treatment for patients with locally advanced or metastatic urothelial carcinoma (UC). License income from partners on sales of the medicine Viibryd® also declined in 2022.

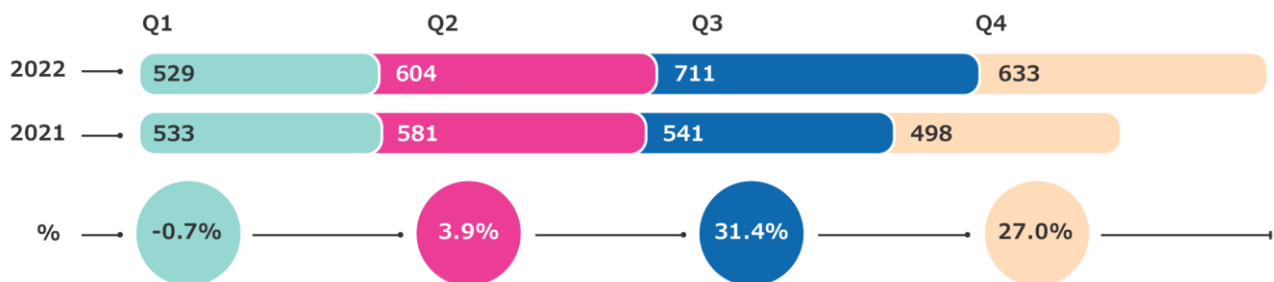
After eliminating adjustments, amortization, and depreciation, EBITDA pre increased to € 2,477 million (2021: € 2,153 million). This overall rise of 15.0% was composed of organic earnings growth of 3.3% and positive foreign exchange effects of 11.7%. The resulting EBITDA pre margin for fiscal 2022 amounted to 31.6% (2021: 30.4%).

The development of EBITDA pre in the individual quarters in comparison with 2021 is presented in the following overview:

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EBITDA pre¹ and change by quarter²

€ million/change in %



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

² Quarterly breakdown unaudited.