

Report on Expected Developments

The following report provides a forecast for fiscal 2023 for the Group and its three business sectors: Life Science, Healthcare and Electronics.

Fundamental assumptions

We do not expect the acquisitions of Erbi Biosystems Inc., USA, and M Chemicals Inc., Korea, the chemical business of Mecaro Co. Ltd., Korea, to have a material portfolio effect at Group level in fiscal 2023 (more detailed information on these transactions can be found in Note (6) "Acquisitions and divestments" in the Notes to the Consolidated Financial Statements).

Against the backdrop of macroeconomic and geopolitical circumstances, the forecast is also subject to high uncertainty and volatility in fiscal 2023. It continues to assume an elevated level of inflation. Countermeasures will be taken to soften the expected negative effects as far as possible. Renewed outbreaks of Covid-19, in combination with local lockdowns, are not taken into consideration in this forecast.

As regards the development of exchange rates, we expect a continuing volatile environment due to geopolitical and macroeconomic developments. In contrast to the previous year, we expect a negative foreign exchange impact in 2023 resulting mainly from the development of the U.S. dollar and the Chinese renminbi. The majority of the remaining currencies are also expected to have negative foreign exchange impacts. The expected negative foreign exchange effects on EBITDA pre of the business sectors will be softened by our foreign currency hedging; however, we do not hedge all growth market currencies (see Note (42) "[Management of financial risks](#)" in the Notes to the Consolidated Financial Statements). This forecast for 2023 is based on a euro-U.S. dollar exchange rate in a corridor of 1.07 to 1.11.

Forecast for the Group

Net sales

For the Group in fiscal 2023, we expect slight to solid organic net sales growth, driven by all our business sectors. Our core business (excluding Covid-19 sales) is likely to deliver solid to strong growth. We assume negative foreign exchange effects of between -1% and -4%.

EBITDA pre

The forecast for the development of EBITDA pre is organically from a moderate decline to about stable. Inflation-related price increases will have a visibly adverse impact on earnings. The forecast foreign exchange development will likely adversely affect Group EBITDA pre by between -1% and -4%; it is expected to be seen mainly in the Healthcare and Electronics business sectors.

Operating cash flow

The forecast for operating cash flow is generally subject to a higher fluctuation corridor than the forecast for net sales and EBITDA pre. We provide an estimate of the development of operating cash flow only for the Group as a whole.

The development of operating cash flow is forecast to be largely in line with operating performance. Positive effects will result from a weaker rise in working capital in comparison with the previous year. Fiscal 2022

included adverse effects from the increase in inventories to secure production and supply as well as owing to higher material prices. As in the case of EBITDA pre, we expect impacts from negative foreign exchange effects in fiscal 2023. Overall, our forecast ranges from a moderate decline to a stable development in fiscal 2023. As regards the composition of operating cash flow, we refer to the section entitled "Internal Management System" in the combined management report as well as the Consolidated Cash Flow Statement in the Consolidated Financial Statements.

Forecast for the Life Science business sector

Net sales

For the Life Science business sector in fiscal 2023, we forecast slight to moderate organic growth. With respect to our core business, in other words excluding Covid-19-related sales, we expect solid to strong organic growth. In the core business, the Process Solutions business unit will be the strongest driver of growth. With the development of the core business, the Life Science Services and Science & Lab Solutions business units will also contribute positively to growth. We expect sales generated by demand for products in connection with the Covid-19 pandemic to total around € 250 million. This represents a continued decline in comparison with the previous year (2022: around € 800 million). The growth in our Life Science business sector is currently subject to higher volatility due to the varying developments across product groups and customer segments. Increased research and development activity as well as higher production volumes among pharmaceutical companies, especially in the biopharmaceutical segment, are the key drivers of growth in the core business. We forecast a slight to moderately negative foreign exchange effect.

EBITDA pre

Our forecast for EBITDA pre of the Life Science business sector for fiscal 2023 ranges from a moderate organic decline to about stable organic development compared with the previous year. In contrast to the positive development of demand, we expect inflation-driven price increases to weigh more heavily on earnings. We will take corresponding measures to counteract this effect if reasonably possible. We forecast a slightly negative foreign exchange effect.

Forecast for the Healthcare business sector

Net sales

For fiscal 2023, we forecast moderate to solid organic growth of net sales. We expect further significant increases in sales of Mavenclad® and Bavencio® to contribute substantially to this. For our established portfolio, we forecast an about stable organic development. This will be driven mainly by the organic growth of our products in the Cardiovascular, Metabolism & Endocrinology (CM&E) franchise. The expected decline in sales of Rebif® due to continued competitive pressure can thus be offset. We assume a slight to moderately negative foreign exchange effect.

EBITDA pre

We expect slight to moderate organic growth of EBITDA pre with further significant contributions from Mavenclad® and Bavencio®. On the cost side, the continued inflation-driven high price level will adversely affect earnings. The effects will be dampened as far as possible by strict cost management and continued prioritization of our development pipeline. In fiscal 2023 we expect active portfolio management to lead to income in the mid to high double-digit million euro range. For Healthcare, we expect negative foreign exchange effects in the high single-digit to low teens percentage range.

Forecast for the Electronics business sector

Net sales

For the Electronics business sector, we forecast slight to solid organic net sales growth in fiscal 2023. Despite the economically and geopolitically challenging circumstances in the market for semiconductor materials, the Semiconductor Solutions business unit will remain the key growth driver. This forecast is based on the assumption that the semiconductor market will recover in the second half of 2023. We expect that the growth of the Semiconductor Solutions business unit will continue to exceed market growth. In particular, the project business will contribute to growth. As expected, sales in the project business will be subject to stronger fluctuations owing to the dependency on major individual orders. We also expect our Surface Solutions business unit to see a positive organic development in fiscal 2023. Sales in our Display Solutions business unit will continue to decline organically. This will be attributable to the organic decrease in the Liquid Crystals business, which is facing persistent price erosion due to the price pressure common in this industry. We forecast a slight to moderately negative foreign exchange effect.

EBITDA pre

For our Electronics business sector, we expect a slight to strong organic decrease in EBITDA pre in fiscal 2023. Earnings will reflect inflation-driven cost increases, which will be seen particularly clearly in material costs. Owing to the price pressure faced by our customers, we assume that we will only be able to pass on costs increases to a limited extent in the coming quarters. Through active cost management, we will attempt to dampen these effects as far as possible. Owing to the tendencies outlined, the development of EBITDA pre is subject to a higher degree of uncertainty. We assume significantly negative foreign exchange effects on EBITDA pre.

Corporate and Other

For Corporate and Other, we expect a significant decrease in costs in fiscal 2023. This is mainly due to the positive effects expected from foreign currency hedging compared with the previous year, which will partly offset negative foreign exchange effects in the business sectors.

€ million		Actual results 2022	Forecast for 2023
Group	Net sales	22,232	<ul style="list-style-type: none"> Slight to solid organic growth (ex-Covid: solid to strong organic growth) Negative foreign exchange effect -1% to -4%
	EBITDA pre	6,849	<ul style="list-style-type: none"> Moderate organic decline to about stable organically Negative foreign exchange effect -1% to -4%
	Operating cash flow	4,259	<ul style="list-style-type: none"> Moderate decline to about stable
Life Science	Net sales	10,380	<ul style="list-style-type: none"> Slight to moderate organic growth (ex-Covid: solid to strong organic growth) Slight to moderately negative foreign exchange effect
	EBITDA pre	3,760	<ul style="list-style-type: none"> Moderate organic decline to about stable organically Slightly negative foreign exchange effect
Healthcare	Net sales	7,839	<ul style="list-style-type: none"> Moderate to solid organic growth Slight to moderately negative foreign exchange effect
	EBITDA pre	2,477	<ul style="list-style-type: none"> Slight to moderate organic growth Negative foreign exchange effect in a high single-digit to low teens percentage range
Electronics	Net sales	4,013	<ul style="list-style-type: none"> Slight to solid organic growth Slight to moderately negative foreign exchange effect
	EBITDA pre	1,192	<ul style="list-style-type: none"> Slight to strong organic decline Significantly negative foreign exchange effect
Corporate and Other	EBITDA pre	-579	<ul style="list-style-type: none"> Significant decline in costs