

Electronics

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Key figures

€ million	2023	2022	Change	
			€ million	%
Net sales	3,659	4,013	-354	-8.8%
Operating result (EBIT) ¹	248	572	-325	-56.8%
Margin (% of net sales) ¹	6.8%	14.3%		
EBITDA ²	816	1,138	-322	-28.3%
Margin (% of net sales) ¹	22.3%	28.3%		
EBITDA pre ¹	913	1,192	-279	-23.4%
Margin (% of net sales) ¹	25.0%	29.7%		

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.

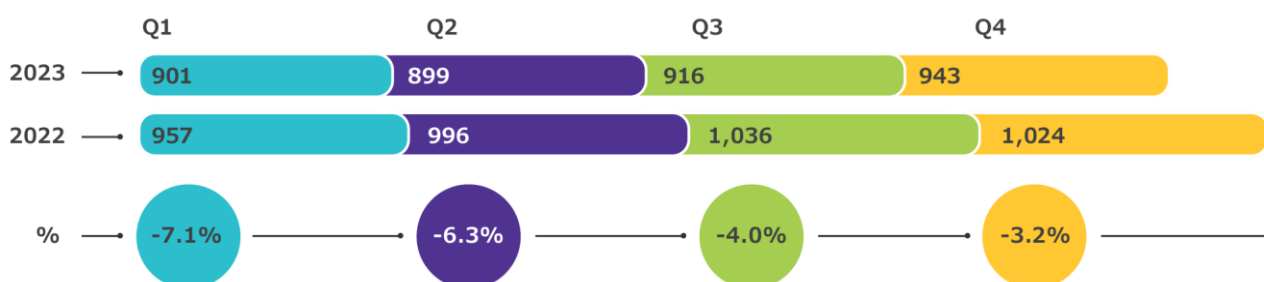
Development of net sales and results of operations

The net sales in the individual quarters as well as the respective organic growth rates in 2023 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.

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Net sales by business unit

€ million	2023	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	2022	Share
Semiconductor Solutions	2,479	68%	-3.9%	-3.9%	0.5%	-7.3%	2,674	67%
Display Solutions	770	21%	-9.2%	-5.3%	-	-14.5%	900	22%
Surface Solutions	411	11%	-3.6%	-2.9%	-	-6.5%	439	11%
Electronics	3,659	100%	-5.1%	-4.1%	0.3%	-8.8%	4,013	100%

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

- The Semiconductor Solutions business unit, which comprises two businesses, namely Semiconductor Materials and Delivery Systems & Services (DS&S), reported a moderate decline in net sales in organic terms in fiscal 2023. The cyclical slow-down in the semiconductor industry, which has significantly impacted the sales volumes of the Semiconductor Materials business, is proving to be both longer and more severe than the industry initially expected and affected every quarter of 2023. DS&S partially compensated for the decline in Semiconductor Materials due to the strong demand for equipment and projects throughout 2023 as our key customers continue to invest in long-term capacity increases. The portfolio effect was due to the acquisition of the chemical business of Mecaro Co. Ltd., Korea, trading as M Chemicals Inc., Korea, on December 30, 2022.

- Net sales of the Display Solutions business unit, consisting mainly of the business with liquid crystals, photoresists for display applications as well as OLED materials, decreased sharply in organic terms in 2023. Even though utilization at key customers in Liquid Crystals improved in the second half of 2023, this was more than offset by the combined impact of lower first-half utilization, weaker pricing stemming from continued competitive pressure, and an unfavorable product mix.
- The Surface Solutions business unit reported a moderate organic net sales decline in 2023. While the Cosmetics business continued to show strength again in 2023, especially in Asia and EMEA, these gains were more than offset by weaker demand for Industrials and Coatings across all regions.

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

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Net sales by region

€ million	2023	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	2022	Share
Europe	318	9%	-13.6%	-0.6%	-	-14.2%	371	9%
North America	787	21%	25.2%	-3.8%	-	21.3%	649	16%
Asia-Pacific (APAC)	2,440	67%	-11.8%	-4.5%	0.4%	-15.9%	2,901	72%
Latin America	39	1%	-2.3%	-1.6%	-	-3.9%	40	1%
Middle East and Africa (MEA)	75	2%	53.6%	-11.2%	-	42.4%	53	2%
Electronics	3,659	100%	-5.1%	-4.1%	0.3%	-8.8%	4,013	100%

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

The following table presents the composition of EBITDA pre for 2023 in comparison with 2022. The IFRS figures have been modified to reflect the elimination of adjustments included in the respective functional costs.

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Reconciliation EBITDA pre¹

€ million	2023			2022			Change
	IFRS	Elimination of adjustments	Pre ¹	IFRS	Elimination of adjustments	Pre ¹	Pre ¹
Net sales	3,659	-	3,659	4,013	-	4,013	-8.8%
Cost of sales	-2,332	37	-2,295	-2,314	21	-2,292	0.1%
Gross profit	1,327	37	1,364	1,700	21	1,721	-20.7%
Marketing and selling expenses	-591	3	-588	-662	3	-659	-10.9%
Administration expenses	-147	29	-118	-128	8	-120	-1.0%
Research and development costs	-297	1	-297	-308	2	-306	-3.2%
Impairment losses and reversals of impairment losses on financial assets (net)	-	-	-	-	-	-	-
Other operating income and expenses	-44	70	26	-28	40	12	>100.0%
Operating result (EBIT)¹	248			572			
Depreciation/amortization/impairment losses/reversals of impairment losses	568	-42	526	565	-20	545	-3.5%
EBITDA²	816			1,138			
Restructuring expenses	60	-60	-	31	-31	-	
Integration expenses/IT expenses	24	-24	-	13	-13	-	
Gains (-)/losses (+) on the divestment of businesses	-	-	-	-	-	-	
Acquisition-related adjustments	13	-13	-	11	-11	-	
Other adjustments	-	-	-	-	-	-	
EBITDA pre¹	913	-	913	1,192	-	1,192	-23.4%
of which: organic growth ¹							-17.1%
of which: exchange rate effects							-5.6%
of which: acquisitions/ divestments							-0.7%

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.

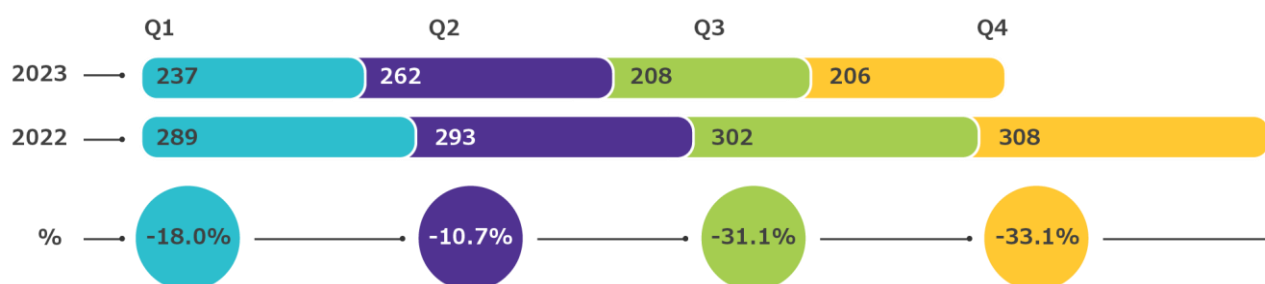
- Adjusted gross profit for the Electronics business sector decreased in 2023 driven by the aforementioned sales decline. At 37.3%, the adjusted gross margin declined compared with the previous year (2022: 42.9%) owing mainly to lower volumes to cover fixed costs, unfavorable price and mix in Liquid Crystals, rising raw material costs and adverse foreign exchange effects.
- Marketing and selling expenses decreased versus prior year, primarily due to lower logistics costs along with favorable foreign exchange effects and tighter personal cost management. Research and development costs were also favorable due to tighter cost management and project scrutiny and favorable foreign exchange effects. Adjusted other operating income improved in 2023 compared to the prior year due to the sale of a patent portfolio in the second quarter of 2023.
- As a result, EBITDA pre was down year-on-year in fiscal 2023. The EBITDA pre margin declined to 25.0% in the reporting period (2022: 29.7%), as the volume-based margin reduction and other factors affecting gross profit outlined above were only partially compensated by good operating cost management, the sale of a patent portfolio and lower logistics expenses.

The development of EBITDA pre in the individual quarters in comparison with 2022 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.