

SGL Carbon achieves annual targets for 2023 and invests more in growth markets

- Three out of four business units with record sales and results
- Carbon Fibers business weighs on the Group's profitability
- Group sales of €1,089.1 million (-4.1%) and adjusted EBITDA of €168.4 million (-2.5%) in a difficult market environment
- Sales and earnings forecast for 2023 achieved despite drop in demand from key market
- 2024 further capacity expansion in graphite components for silicon carbide-based semiconductors

In fiscal year 2023, SGL Carbon achieved the sales and earnings targets set at the beginning of the year despite the drop in demand from the important wind market and an increasingly challenging economic environment. Group sales decreased slightly by €46.8 million (minus 4.1%) to €1,089.1 million (previous year: €1,135.9 million). At €168.4 million, adjusted EBITDA, a key performance indicator for the Group, was also down slightly (minus 2.5%) compared to the previous year (€172.8 million) but was clearly within the forecast range for 2023 of €160 to 180 million.

While the positive sales development of the Graphite Solutions (+€53.5 million to €565.7 million), Process Technology (+€21.6 million to €127.9 million) and Composite Solutions (+€0.8 million to €153.9 million) business units had a positive effect, the Carbon Fibers business unit had a negative impact on Group sales with a sales decline of €122.3 million to €224.9 million.

"Demand for carbon fibers for the wind industry fell dramatically at the beginning of 2023. Construction activities for offshore wind turbines, in which our carbon fibers are needed, almost came to a standstill. High raw material costs and interest rates as well as low acceptance prices and high regulatory barriers are currently making the construction of new wind parks almost unprofitable, particularly in Europe. This has also hit our business unit Carbon Fibers (CF) hard. Accordingly, CF's sales and earnings declined significantly. Nevertheless, the record results of the three other SGL business units almost completely compensated for this downturn, meaning that we still achieved our targets for 2023," explains CEO Dr. Torsten Derr.

Earnings development of SGL Carbon

The contribution of the individual business units to SGL Carbon's adjusted EBITDA reflects the sales development already described. Despite the volume-related drop in adjusted EBITDA of the reporting segment Carbon Fibers from €43.2 million in 2022 to €7.2 million in the reporting period (minus €36.0 million), adjusted Group EBITDA decreased by only €4.4 million (minus 2.5%) to €168.4 million. The drop in the adjusted EBITDA of CF was offset by the positive EBITDA development of the three other business units: Graphite Solutions (+€15.5 million to €134.0 million), Process Technology (+€12.5 million to €22.4 million) and Composite Solutions (+€2.2 million to €22.2 million).

Despite the decline in demand and the associated decrease in earnings at Carbon Fibers, the adjusted EBITDA margin even improved slightly year-on-year from 15.2% to 15.5% in 2023 thanks to the good results of the other business units.

The weak business development of Carbon Fibers led to an impairment loss of €44.7 million on the assets of this business unit in the first half of 2023, which accounted for the majority of the one-off effects and special items of minus €52.9 million in 2023. Taking into account the one-off effects and special items as well as depreciation and amortization of €58.9 million (previous year: €60.8 million), reported EBIT amounted to €56.6 million in 2023 (previous year: €120.9 million).

The financial result worsened by €7.4 million year-on-year to minus €34.2 million (previous year: minus €26.3 million). This is due in particular to higher interest expenses for financial liabilities and pensions amounting to minus €30.7 million (previous year: minus €24.3 million). Due to the business development described above as well as the non-operating one-off effects and special items, in particular the impairment in the CF segment (€44.7 million), consolidated net income decreased to €41.0 million in 2023 (previous year: €126.9 million). It should be noted that the consolidated net income includes tax income of €19.3 million (previous year: €31.3 million). This development is mainly due to valuation adjustments on deferred tax assets in the amount of €31.0 million based on the good business performance combined with positive earnings prospects in the USA (previous year: €41.8 million).

Net financial debt and equity

As in previous years, net financial debt continued to decrease in the 2023 financial year and amounted to €115.8 million as of December 31, 2023 (previous year: €170.8 million), which corresponds to a reduction of 32.2% compared to the previous year. This is due in particular to the increase in free cash flow to €95.6 million (previous year: €67.8 million). The leverage factor was 0.7 after 1.0 in 2022.

At €87.1 million, investments (capex) in intangible assets and property, plant and equipment in 2023 were around 64.7% higher than in the previous year (€52.9 million) and significantly higher than depreciation and amortization of €58.9 million. Almost two thirds of these investments were allocated to Graphite Solutions and in particular in the expansion of production capacities for specialty graphite products for high-temperature processes, which are required in the semiconductor, LED and solar industries. Equity attributable to shareholders of the parent

company increased slightly by 6.3% to €605.3 million in the 2023 financial year (previous year: €569.3 million). The equity ratio increased accordingly to 41.1% (previous year: 38.5%). At 11.3%, the return on capital employed (ROCE calculated on adjusted EBIT) remained constant at the previous year's level.

Development of the business units

In fiscal year 2023, the largest business unit **Graphite Solutions (GS)** accounted for 51.9% or €565.7 million of SGL Carbon's consolidated sales (previous year: 45.1% | €512.2 million). The 10.4% increase in sales is based on the dynamic development of the important Semiconductor & LED market segment, particularly in the area of silicon carbide-based high-performance semiconductors. Accordingly, sales with customers in the Semiconductor/LED market segment increased by 40.1% compared to the previous year and now account for 46.3% of total GS sales (previous year: 36.5%). Volume and product mix effects in particular led to a disproportionately high increase in adjusted EBITDA at Graphite Solutions compared to sales of 13.1% to €134.0 million (sales increase: 10.4%). The adjusted EBITDA margin also improved from 23.1% to 23.7% in 2023.

Graphite Solutions' investments (capex) increased to €57.4 million in 2023 (previous year: €33.3 million). In order to meet the high demand from our customers for graphite components for the semiconductor industry, investments were made in particular in plant and machinery to expand production for these products. Some of these investments are financed by advance payments from our customers to secure future production capacities. In total, customer prepayments received in 2023 amounted to €70 million (previous year: €33 million).

The **Process Technology (PT)** business unit increased sales by 20.3% to €127.9 million, continuing its successful course. This positive development is also reflected in the adjusted EBITDA, which rose to a record result of €22.4 million (previous year: €9.9 million). The adjusted EBITDA margin improved accordingly from 9.3% to 17.5% in 2023.

Due to the aforementioned sharp drop in demand in the wind energy market, sales in the **Carbon Fibers (CF)** business unit fell significantly by 35.2% to €224.9 million (previous year: €347.2 million). As a result, some production lines had to be shut down, leading to high idle capacity costs. Accordingly, adjusted EBITDA in the CF reporting segment fell by €36.0 million or 83.3% year-on-year to €7.2 million. It should be noted that the adjusted EBITDA of CF also includes the earnings of BSCCB, our 50:50 joint venture with the Italian brake manufacturer Brembo S.p.A. BSCCB's contribution to earnings amounted to €18.1 million in 2023 (previous year: €16.3 million). Without the positive earnings contribution from BSCCB, CF's adjusted EBITDA would have amounted to minus €10.9 million.

At first glance, sales in the **Composite Solutions (CS)** business unit remained almost constant compared to the previous year at €153.9 million (previous year: €153.1 million). However, it should be noted that the loss of sales from the divestment of the business in Gardena (USA) amounting to around €30 million was fully compensated. The volume-related increase in sales led to a significant rise in adjusted EBITDA of 11.0% to €22.2 million (previous year: €20.0 million). The adjusted EBITDA margin consequently improved from 13.1% to 14.4% in 2023.

The non-operating [Corporate](#) segment contributed €16.7 million to Group sales (previous year: €17.1 million). The segment's adjusted EBITDA improved slightly to minus €17.4 million (previous year: minus €18.8 million), which is primarily due to lower bonus payments.

Outlook

The global economy will continue to face comparatively high interest rates and subdued growth prospects in 2024. Tighter financing conditions, weak trade growth and a decline in business and consumer confidence are also weighing on the economic outlook. In addition, heightened geopolitical tensions are contributing to increased uncertainty.

Despite the current weaker demand from some markets, such as the wind industry, we believe that our business model will continue to perform well in this challenging environment. The strength of our broad product portfolio has already been demonstrated in the crises of recent years. Furthermore, the long-term growth trends remain intact.

We expect different developments in our key sales markets in 2024. The most important sales and earnings driver will be demand for specialty graphite components for the semiconductor industry. In contrast, all indicators currently suggest that demand for carbon fibers for the wind industry will remain weak in 2024 and that our Carbon Fibers (CF) business unit will therefore continue to record operating losses. Even if demand picks up, we assume that Carbon Fibers will require additional resources to make the most of market opportunities. With this in mind, we announced on February 23, 2024, that we are reviewing all strategic options for Carbon Fibers. These also include a possible partial or complete sale of the business unit.

Our sales forecast for the financial year 2024 takes all four operating business units into account, as we are only at the beginning of evaluating the strategic options for CF. In line with the assumptions outlined, we are therefore expecting Group sales at the previous year's level (2023: €1,089.1 million).

In the earnings forecast, we have taken into account underutilization of production capacity in the Carbon Fibers business unit and the associated high idle capacity costs. The projected operating loss of CF will have a negative impact on the adjusted EBITDA of the SGL Carbon Group in 2024. Due to the expected positive development of Graphite Solutions, we anticipate an adjusted EBITDA of between €160 million and €170 million for fiscal year 2024, taking into account all four operating business units. Should the process of reviewing all strategic options for the CF business unit result in a sale, the forecast of adjusted EBITDA in 2024 would be between €180 - 190 million.

"Specialty graphite components for the semiconductor industry, particularly for the production of silicon carbide-based high-performance semiconductors, will be the growth driver for our business in 2024. We will continue to expand production capacities in this sector to secure future profitable growth for SGL Carbon. Therefore, the majority of the total planned investments of up to €150 million (previous year: €87.1 million) will also flow into this business," explains Thomas Dippold, CFO of SGL Carbon SE.

Further details on business development in 2023 and the outlook for 2024 can be found in SGL Carbon's Annual Report.

Key figures 2023

in € million	FY2023	FY2022	Changes	Changes in %
Group sales	1,089.1	1,135.9	-46.8	-4.1%
Graphite Solutions	565.7	512.2	53.5	10.4%
Process Technology	127.9	106.3	21.6	20.3%
Carbon Fibers	224.9	347.2	-122.3	-35.2%
Composite Solutions	153.9	153.1	0.8	0.5%
Corporate	16.7	17.1	-0.4	-2.3%
EBITDApre*	168.4	172.8	-4.4	-2.5%
Graphite Solutions	134.0	118.5	15.5	13.1%
Process Technology	22.4	9.9	12.5	>100%
Carbon Fibers	7.2	43.2	-36.0	-83.3%
Composite Solutions	22.2	20.0	2.2	11.0%
Corporate	-17.4	-18.8	1.4	-7.4%
Net result (attributable to the shareholders of the parent company)	41.0	126.9	-85.9	-67.7%
Free cash flow	95.6	67.8	27.8	41.0%
	Dec. 31, 2023	Dec. 31, 2022	Change	Change in %
Equity ratio (in %)	41.1%	38.5%		+2.6%-points
Net financial debt (in € million)	115.8	170.8	-55.0	-32.2%
ROCE (EBITpre) (in %)	11.3%	11.3%	-	-

* EBITDApre (adjusted EBITDA): Earnings before interest, taxes, depreciation and amortization adjusted for one-off effects and non-recurring items.

Outlook 2024

(in € million)	Outlook 2024	Actual 2023
Sales revenue	At prior year level	1,089.1
EBITDApre	160 - 170	168.4
EBITpre	100 - 110	109.5
Return on capital employed (ROCE _{EBITpre})	10% - 11%	11.3%
Free cash flow	Significantly below prior year	95.6

About SGL Carbon

SGL Carbon is a technology-based company and a world leader in the development and production of carbon-based solutions. Its high-quality materials and products made from specialty graphite, carbon fibers and composites serve many industries that are shaping the trends of the future: climate friendly mobility, aerospace, solar and wind energy, semiconductors, and LEDs as well as the production of lithium-ion batteries, fuel cell and other energy storage systems. In addition, SGL Carbon develops solutions for chemical and industrial applications.

In 2023, SGL Carbon SE generated sales of approx. 1.1 billion euros. The company has approx. 4,800 employees at 29 locations in Europe, North America, and Asia.

Further information on SGL Carbon can be found at www.sgllcarbon.com/press.

Important note:

To the extent that our press release contains forward-looking statements, the latter are based on information that is available at present and on our current forecasts and assumptions. Forward-looking statements, by their very nature, entail known as well as unknown risks and uncertainties that may lead to actual developments and events differing substantially from the forward-looking assessments. Forward-looking statements must not be understood to be guarantees. Instead, future developments and events depend on a large number of factors; they comprise various risks and imponderables and are based on assumptions that may possibly turn out not to be appropriate. These include unforeseeable changes to fundamental political, economic, legal and societal conditions, particularly in the context of our main customers' industries, the competitive situation, interest and exchange rate trends, technological developments as well as other risks and uncertainties. We perceive additional risks e.g. in pricing developments, unforeseeable events in the environment of companies acquired and Group member companies as well as in current cost savings programs from time to time. The SGL Carbon assumes no obligation and does not intend to adjust or otherwise update these forward-looking statements either.

SGL Carbon SE

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