



# German Investment Seminar 2021

Virtual conference, Commerzbank

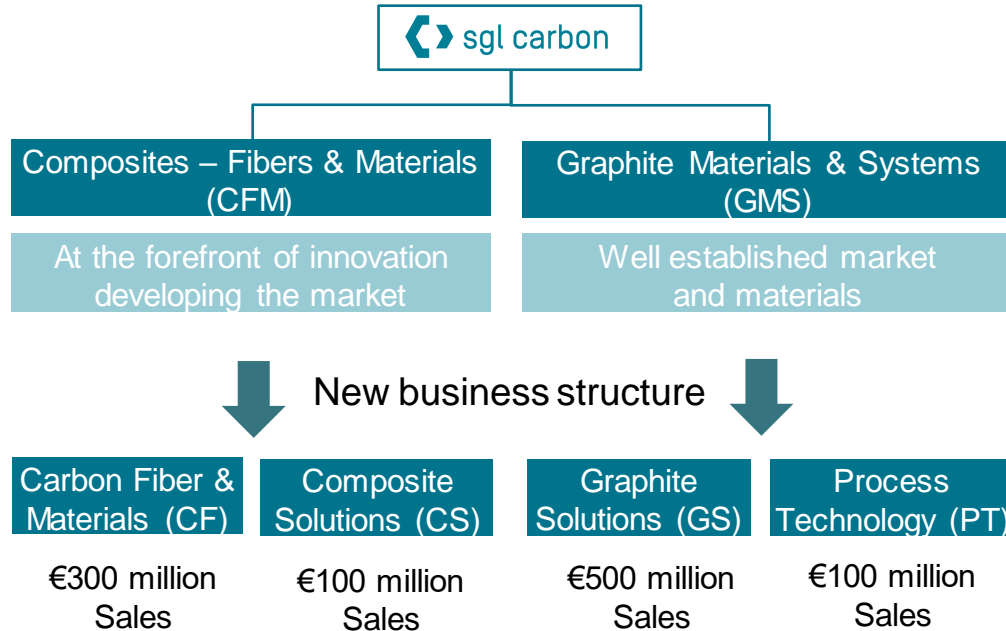
Dr. Torsten Derr CEO | January 2021



# 1 The Business Model

# A global leader in carbon and graphite-based solution

## SGL Carbon at a glance



## Characteristics

Material competence and application know-how in graphite & carbon fiber / fiber composites as well as high temperature processes

Competitive advantage by providing entire value chain

Diversified customer base, serving key megatrends such as mobility, digitization, energy

New business structure from Jan 1, 2021 onwards to provide more transparency & focus on homogeneous markets

# New BU structure – strong positioning and promising drivers

## Carbon Fiber & Materials (CF)



- Textiles and precursor
- Oxidised fibers (Panox)
- Carbon fibers
- Fabrics and wovens
- Prepregs

## Composite Solutions (CS)



- Composites parts (CF, GF, leaf springs, battery cases)
- Wet friction applications
- Thermal insulation
- Carbon/Carbon products

## Graphite Solutions (GS)



- Isostatic and extruded graphite
- Press-to-size products
- Machined, purified and coated parts
- Gas diffusion layer (fuel cell)
- Graphite anode material (LiB)

## Process Technology (PT)



- Graphite heat exchangers
- Graphite pumps
- Synthesis systems
- Service and parts
- PTFE products

## Main growth drivers

- Wind energy
- Automotive

- Automotive (lightweight and electro mobility)
- Commercial Aerospace

- Fuel cell and Li-ion batteries
- Semiconductors and LED
- Automotive industry

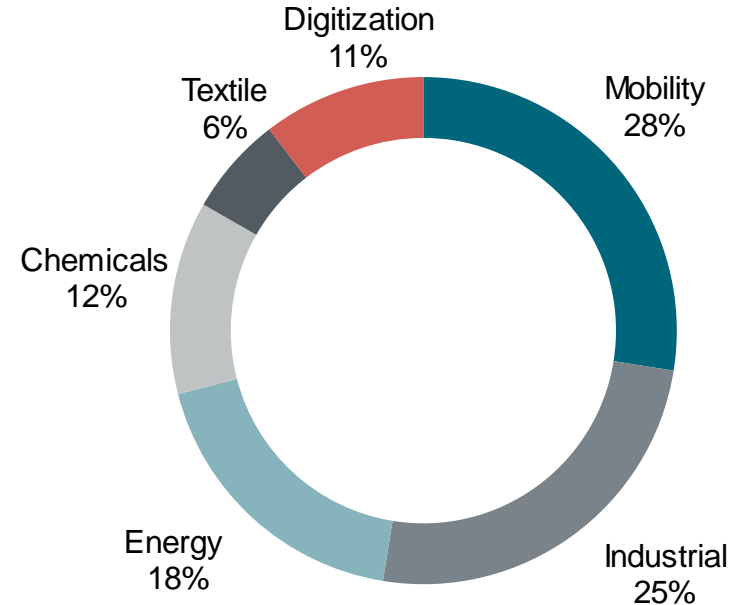
- Chemical and petrochemical industry

# SGL Carbon – globally active in attractive markets

## Key figures

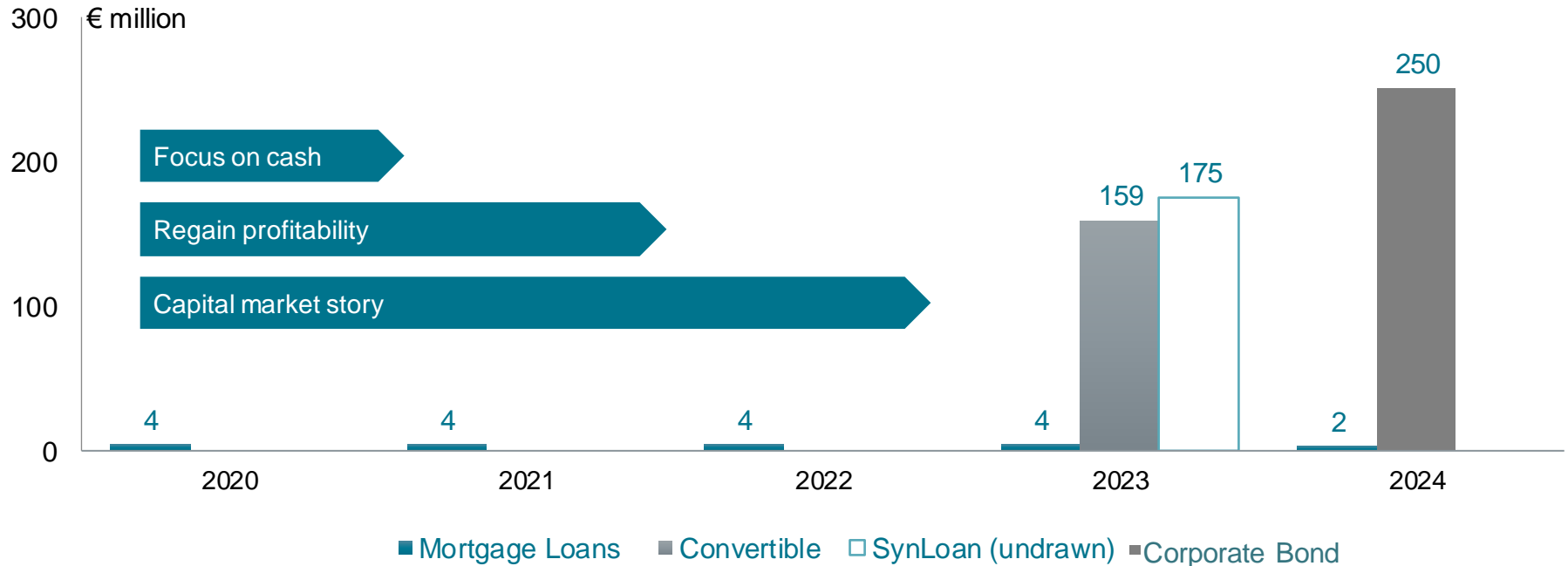
- ~ €0.9 billion Sales
- Low double-digit € million EBIT & margin
- 4,900 employees
- Active in 80 countries, 31 production sites globally

## End-market sales split



# Limited maturities in coming years allow restructuring

## Maturity Profile as of 30.09.2020



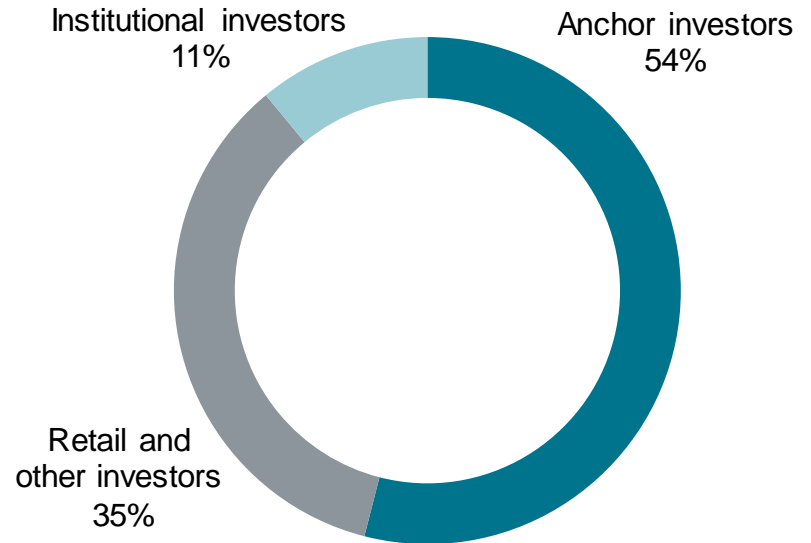
# Shareholder structure dominated by anchor shareholders

## Anchor investors

Structure:

- SKion GmbH: 28.5% (Investment company of Mrs. Klatten)
- BMW AG: 18.4%
- Volkswagen AG: 7.4%

## Shareholder structure



## 2 New Management – first impressions



# Restructuring – New management team has decades of experience

**Dr. Torsten Derr, CEO**



**24 years industry experience  
4 turnarounds in past 15 years**

**Thomas Dippold, CFO**



**16 years experience in restructuring  
3 turnarounds**

# Restructuring – Observations



**Lack of financial rigor** and prioritization



**High complexity** (sites, products, customers)



**Over-administration** (~20 corp. functions, complex guidelines)



**No full P&L accountability** in Business Units



**Culture** – focus on perfecting technology instead of improving profitability



# Restructuring – “Formula Carbon” guidance for mindset and behavior



## Business first

In everything we do, our focus is on running our business safely and profitably.

## Keep it simple

We no longer afford the luxury of doing things that are not absolutely necessary. We reduce complexity wherever possible.

## Deliver on promises

We set ourselves realistic goals, keep our promises and expect the same from our colleagues.

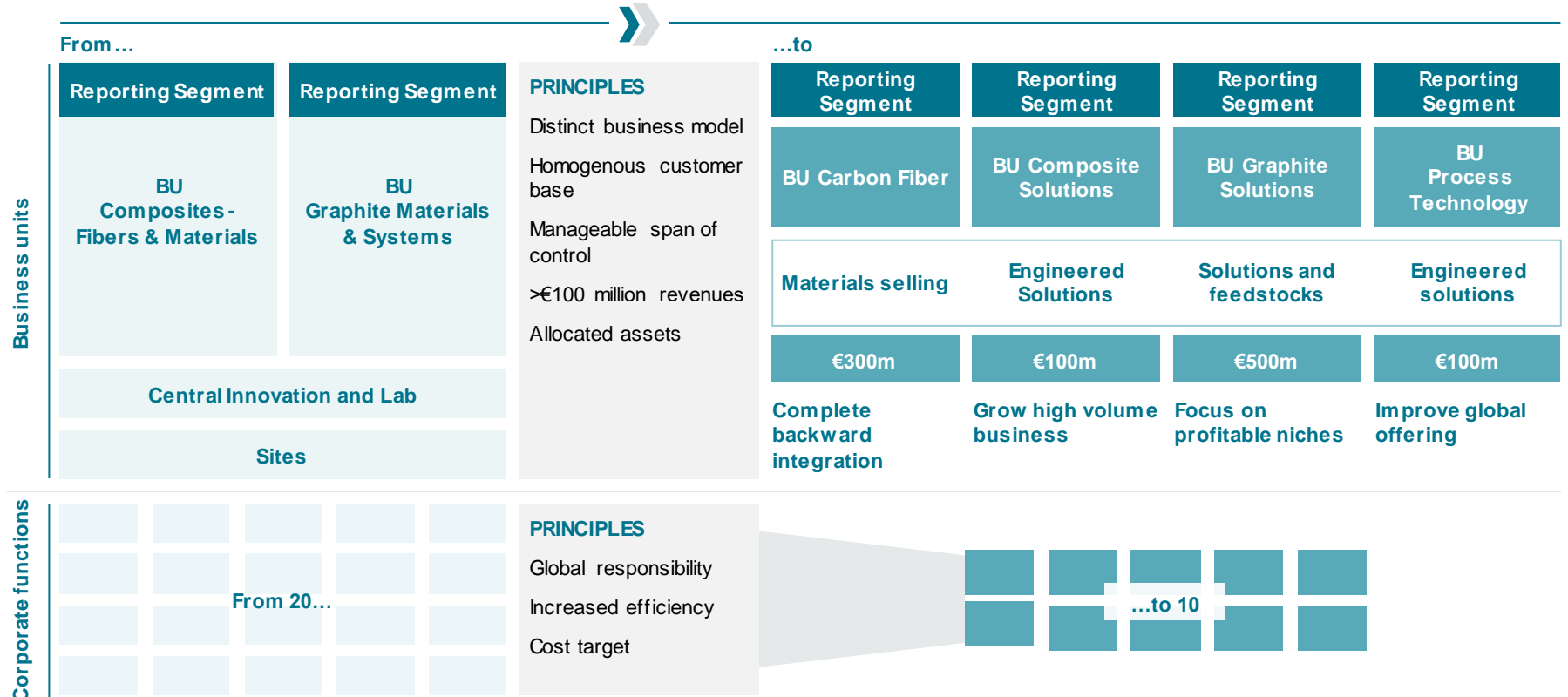
## Act fast, think different

We act quickly and solution oriented. And are always open to new approaches.

# Formula Carbon

# 3 Restructuring program launched

# New Organization enhances transparency, management rigor and efficiency



# Strengthen capital discipline



Establish Capital Structure



Define Financial Policies



Deliver ROCE improvement

## Key Priorities

- Be **cash positive** (“stop the bleeding”)
- **Reduce net debt** to reasonable level
- **Question cash-burning** entities and businesses
- Businesses compete for a **fixed capex budget**
- Strengthen **project approval process**
- Improve **working capital management**
- Maintain sufficient liquidity **headroom**
- **Stop unprofitable** projects/activities
- Focus on **investments with near-term payback**
- Be **cost efficient**
- Generate enough cash flow to **self-fund moderate growth** path and pay a modest dividend

# Restructuring program started in October 2020

## New Organization

- New organization and management
- Clear responsibilities & consequence management
- Incentives to be aligned to cash generation

## Improved Performance

- >€100 million earnings improvement measures<sup>1</sup> from 2023 onwards
- >500 individual measures identified
- >500 reduction in FTE<sup>1</sup>

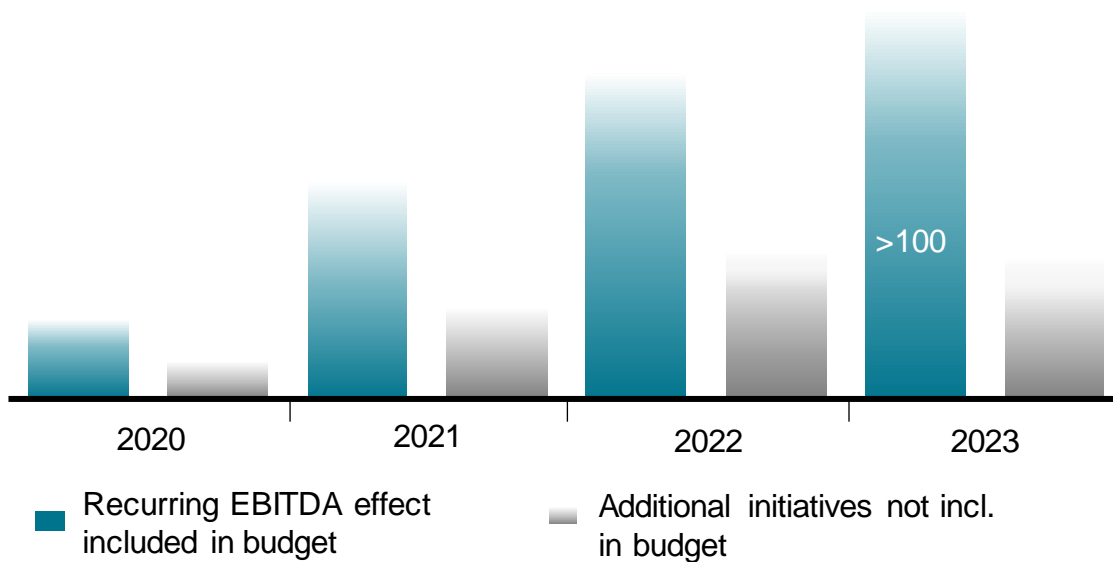
## Spend Control

- Hiring freeze - Board approval needed
- Spend control tower
- CAPEX discipline

<sup>1</sup>Compared to base year 2019

# Restructuring – EBITDA impact of restructuring initiatives

## Net recurring impact<sup>1</sup> in € million



## Key measures

- Total restructuring costs of ~ €40 million; half in Q4/2020
- Overall >670 initiatives with a contribution of >€100 million EBITDA
- Strict consequence management & counter-measures
- Additional cash potential from NWC initiatives

<sup>1</sup> versus 2019, before external counter effects



# Impairment charge of €80-100 million in Carbon Fibers in Q4/2020

## Details of impairment loss in reporting segment CFM (Composites – Fibers & Materials)

- Non-cash impairment charge of €80-100 million to be recorded in non-recurring items in Q4/2020
  - New 5-year plan: prospects for certain markets changed considerably
  - Impaired assets: approx. 20% goodwill and 80% property, plant & equipment

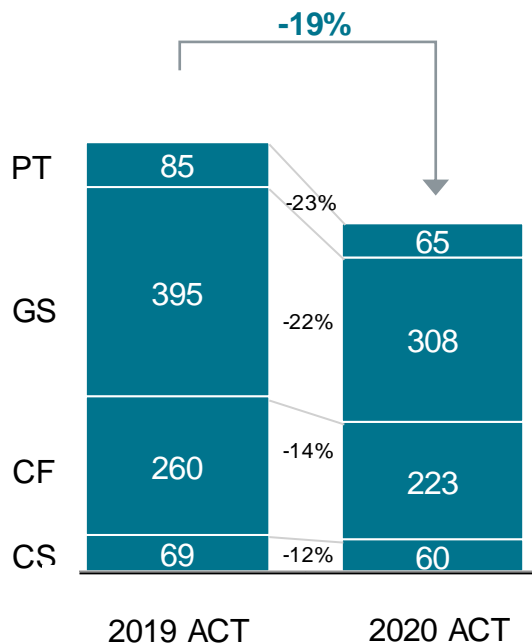
### Reason for Impairment

- Automotive
  - Industry on the whole challenged – new drives, new competitors, increased pressure from legislation
  - Less focus on lightweight construction - carbon fiber composites adoption in automotive slower than initially planned
- Aerospace
  - Civil aviation extensively affected by Corona crisis
  - Recovery to 2019 levels not expected before 2024/2025, reduced built rates in airplanes
- Wind Energy
  - Strong growth in market and for SGL large-tow carbon fiber
  - Lower margin expectations compared to automotive and aerospace

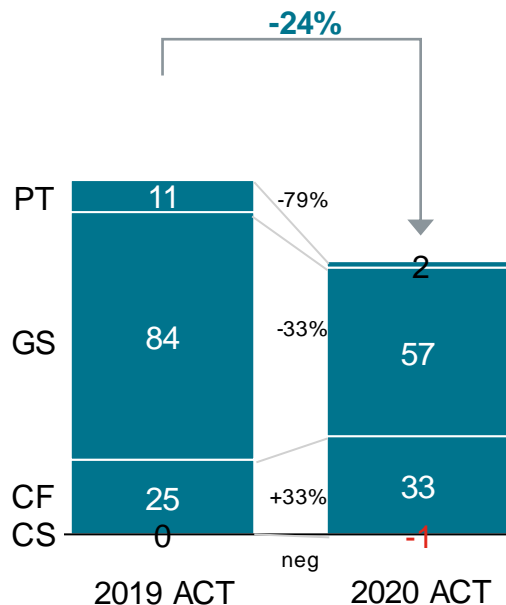
# Business units impacted by Covid-19

## 9M 2019 vs 9M 2020 Actuals

### Sales<sup>1</sup>, € million



### EBITDA<sup>1</sup>, € million



### Sales

- PT, GS strongly impacted due to pandemic economic slow down
- CF: strong wind business could compensate partly for slow down in other business
- CS: new projects could compensate for shut-downs in Q2

### EBITDA

- PT and GS decline, due to low sales
- CF improvement due to efficiency measures initiated in 2019
- CS decline due to automotive shut-down in Q2

<sup>1</sup>BU split is preliminary and un-audited, notably Corporate expenses not yet allocated, LAC completely in BU CF

# 4 Summary

# SGL Carbon – Restructuring based on solid Carbon competence

## Market Dynamics

- Material competence based on **carbon**<sup>1</sup> and **high temperature processes** (command **entire** carbon fiber and graphite **value chain**)
- **High tech** carbon fiber & graphite based **engineered solutions**
- **Diversified customer base** – servicing more than 35 industries with structural growth perspective
- **Sales growth** will be fueled by the **megatrends energy, mobility** and **digitization** – with some trends (e.g. in digitization and sustainability) even gaining momentum due to the Corona crisis

## Financials

- **Restructuring**, cost and headcount reduction started
- **No maturities** of financial instruments until September 2023
- Strong **anchor shareholders**

<sup>1</sup> Carbon refers to the chemical element – graphite and carbon fiber are forms of carbon

# Outlook – Focus now on performance, later on profitable growth

## Short term

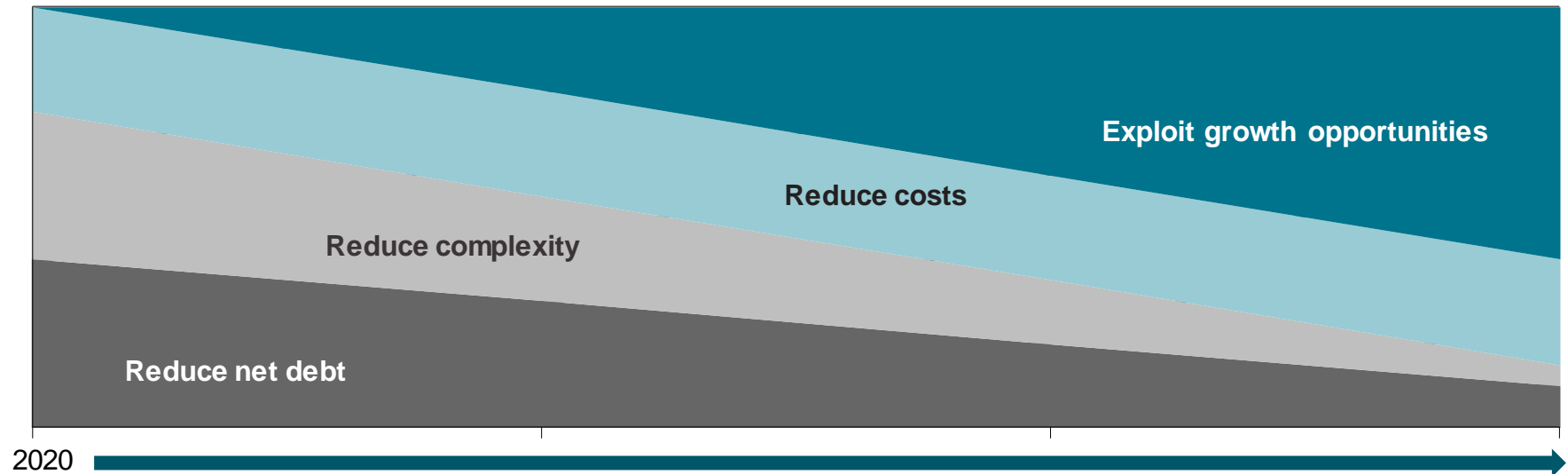
- Secure financial headroom
- Stabilize operational performance

## Mid term

- Achieve satisfactory net debt level
- Selective investments

## Long term

- Step up investments in market opportunities



2020



**Thank you for your attention!**

# New CEO Dr. Torsten Derr

- Born and raised in Bremen, northern Germany
- Studied and completed PhD in Chemistry in Bremen
- Started professional career
  - 10 years Bayer AG in various roles
  - 10 years Lanxess AG (Business Unit Head)
  - 4 years Saltigo GmbH, subsidiary of Lanxess AG (CEO)
- Overall 23 years experience in technology focused industries, of which 15 years with P&L responsibility
- Focus on restructuring & turnarounds
- “SGL Carbon and I are a good fit, I know how to manage technology focused businesses with an appropriate cost structure and a clear focus on market requirements”



# New CFO Thomas Dippold

- Born and raised in Bamberg, southern Germany
- Studied and completed Business Administration degrees in Bamberg (D), Mainz (D) and Austin, Texas (USA)
- Started professional career at HSBC in Düsseldorf and London in Reporting, followed by Consulting Services
- Various Finance roles at Schott AG (D and Singapore)
- CFO at Semikron International in Nürnberg (D)
- CFO at Faber-Castell AG, Stein (D)
- CFO of stock exchange-listed Schaltbau Holding AG
- Overall 23 years experience in various finance roles, with particular focus on successful operational and financial restructuring and turnaround situations
- "I am fascinated by the Company's materials portfolio and competence and aim to support SGL Carbon's turnaround and sustainable path to profitability based on my restructuring expertise"





# 5 Backup Business Units

# Composites – Fibers & Materials (CFM) – 1

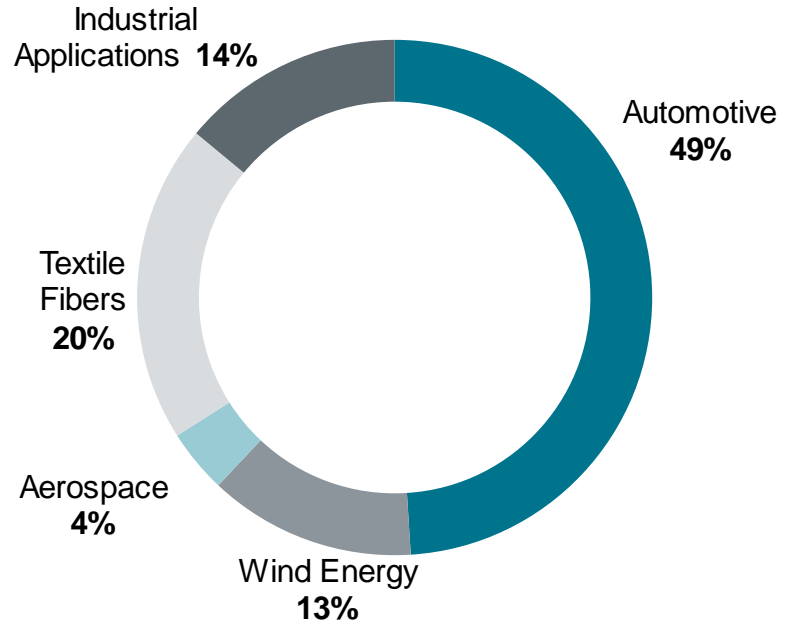
## Activities

- Carbon Fibers
- Composite Materials
- Composite Components
- Ceramic Brake Discs (JV with Brembo)

## Key industries served

- Automotive
- Aerospace
- Energy
- Industrial Applications
- Textile Fibers

## CFM sales 2019 [%]



# Composites – Fibers & Materials (CFM) – 2

## Characteristics

- New applications in automotive, energy, industrial
- High earnings improvement potential
- Complete value chain in house

## Strategic priorities

- Strengthen capabilities to safeguard globally leading position
- Develop products and production technologies for innovative customer solutions
- Exploit synergies across the value chain

## CFM key figures

in € million	2018	2019	9M/ 2020
Sales	422.5	431.6	283.4
EBIT <sup>1</sup>	20.8	-8.3	10.6
EBIT-margin <sup>1</sup>	4.9%	-1.9%	3.7%
ROCE <sub>EBIT</sub> <sup>1</sup>	3.2%	-1.3%	0.7%
Capex	21.5	27.8	10.4
Headcount	1,722	1,698	1,614

<sup>1</sup> before non-recurring-items

# Graphite Materials & Systems (GMS) – 1

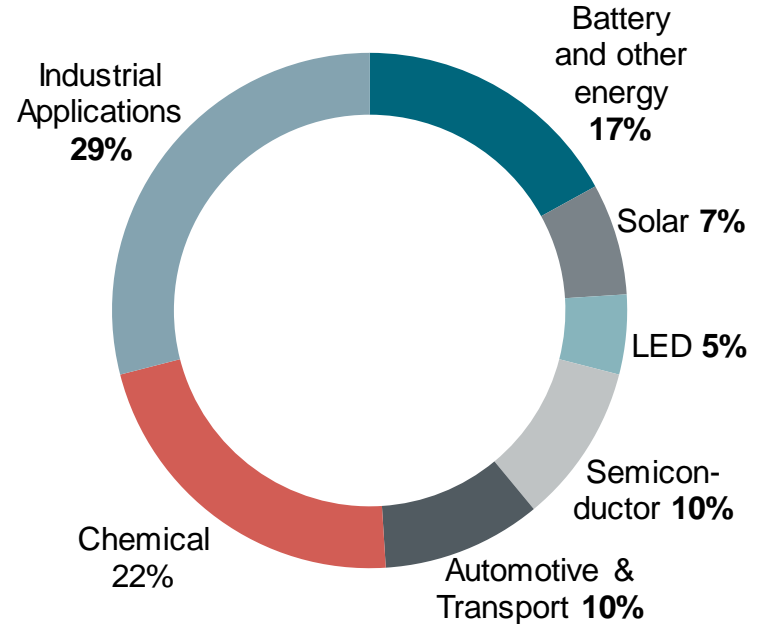
## Activities

- Anode materials
- Isostatic graphite
- Fiber materials
- Extruded graphite
- Die molded
- Expanded graphite
- Process technology

## Key industries served

- Semiconductor
- LED
- Fuel Cell
- Lithium-Ion Battery
- Solar
- Automotive & Transport
- Chemical
- Industrial Applications<sup>1</sup>

## GMS sales 2019 [%]



<sup>1</sup> e.g. electric discharge machining (EDM), oil and gas, glass, high temperature applications, metallurgy

# Graphite Materials & Systems (GMS) – 2

## Characteristics

- Higher value-added products enabling customer innovations
- Specialized, partially tailor-made, products for differentiated customers
- Innovation driven business
- Engineered products & solutions for customers from > 35 industries – some with high growth potential

## Strategic priorities

- Focus on forward integration and innovation
- Combine material know-how and engineering competence
- Advanced material, equipment, and process solutions in cooperation with customers
- Global competence and presence
- Improve cost competitiveness
- Target new market segments

## GMS key figures

in € million	2018	2019	9M/ 2020
Sales	589.9	622.5	373.1
EBIT <sup>1</sup>	76.0	85.5	35.4
EBIT-margin <sup>1</sup>	12.9%	13.7%	9.5%
ROCE <sub>EBIT</sub> <sup>1</sup>	16.5%	16.3%	8.7%
Capex	47.0	55.8	18.8
Headcount	3,008	3,141	3,088

<sup>1</sup> before non-recurring-items

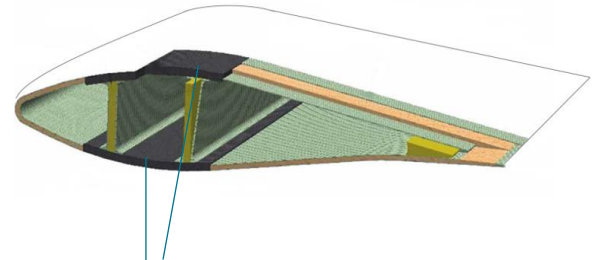
# 6 Attractive Products from various Business Units

# Wind energy – benefiting from trend to sustainable power generation

## Trend to longer rotor blades in our favour

- Reasons for usage of such products
  - **High stiffness** and **high strength** of carbon fibers
  - **Global footprint** with modern production facilities
  - Well established expertise and long term strategy of SGL in running industrial grade heavy-tow carbon fiber for **high volume application**
- Market dynamics
  - Strong growth in sustainable power generation
  - Usage of carbon fiber mainly for pultrusion components
- Participation of SGL Carbon
  - SGL carbon fiber is qualified for nearly all OEM
  - Strong capacity utilization of our carbon fiber plants in Moses Lake (USA) and Muir of Ord (UK)
  - Clear focus on Carbon Fiber tow, full access to all levels of the market

Wind turbine



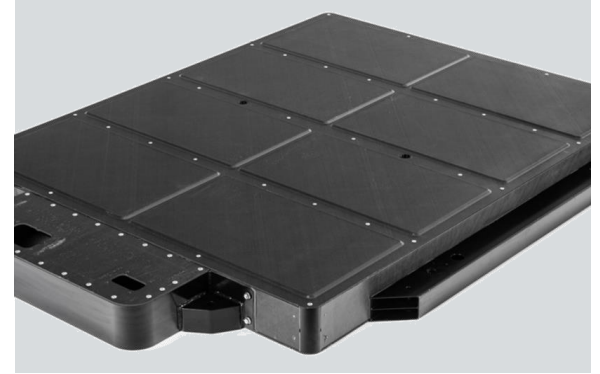
Cross section of a rotor blade

Carbon fiber spar caps usually manufactured out of CF **pultruded profiles**, CF non-crimp fabric or CF prepreg

# Components for Battery Cases – an attractive application

## Benefiting from strong growth of e-mobility

- Key benefits
  - **Safety** for passengers and other traffic participants (fire, crash, impact, electromagnetic shielding)
  - **Weight reduction** up to 40 % compared to metals
  - **Thermal insulation**
  - produced in a **highly automated process** leading to **competitive cost-performance-ratio**
- Market dynamics
  - CAGR of around 40% (electric vehicle market '20-'28)
  - CAGR of 70% (long fiber composite battery case components '18-'25)
- Participation of SGL Carbon
  - Usage of full value chain; from precursor to component
  - One-stop shop from engineering to production
  - Industry leader for high volume composite components



Battery Case prototype built with NIO



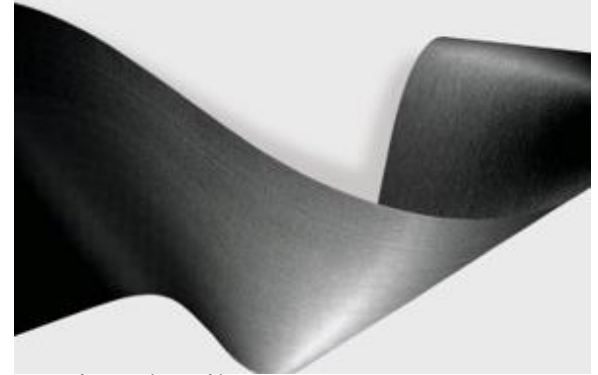
Main focus & potential on Top & Bottom plate



# Gas Diffusion Layers (GDL) with strong market growth in Asia

## Non-replaceable component in Fuel Cells

- Reasons for usage of such products
  - **Enhancing efficiency** of a fuel cell by:
    - homogenizing gas distribution
    - reducing electrical resistance
  - Additional potential due to **usage in electrolysis cells** for the manufacturing of hydrogen
- Market dynamics/size
  - Benefiting from strong growth in e-mobility
  - CAGR of 40%
  - Market size 2025: €500 million
  - SGL Carbon amongst TOP 2 suppliers
- Participation of SGL Carbon:
  - Long term contracts with leading OEMs (e.g. Hyundai)
  - Global sales footprint of more than 200 customers



Gas Diffusion Layer (GDL)

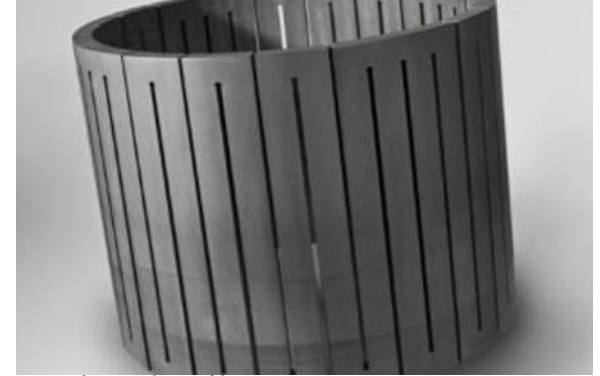


Fuel Cell Stack

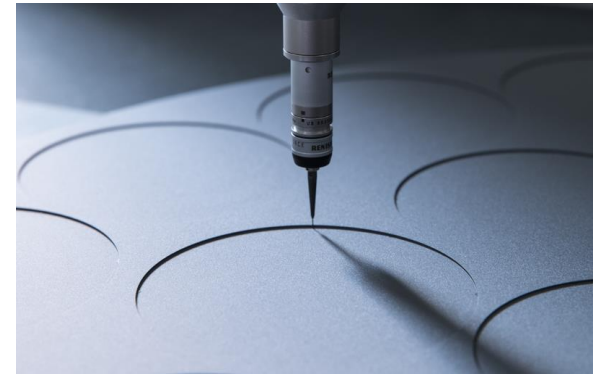
# Semiconductor – strong demand from new technologies requiring dedicated solutions made from graphite specialties

## Megatrends drive double-digit market growth

- Reasons for usage of such products
  - **Silicon-based semiconductors:** e.g. in 5G networks, high performance computing in memory & logic chips
  - **SiC-based semiconductors:** electrified vehicles need Power Electronics
- Market dynamics/size
  - Silicon-based semiconductor expected to grow 5-7% pa
  - SiC will see growth of 20-40% pa from 2022/23 (technology breakthrough)
- Participation of SGL Carbon
  - SGL offers customized solutions, combining isostatic graphite, carbon-carbon composites as well as insulation materials
  - Tailored materials, enabled by full backwards integration
  - Precision-machined, purified and/or surface treated
  - Working with global leaders in their respective field



Meander heater for the production of Si-based singlecrystals



SiC-coated wafer carrier

# Graphite Anode Materials (GAM) for Lithium-Ion-Batteries

## Graphite will remain the dominant material

- Reasons for usage of such products
  - Graphite is the **perfect material**, with synthetic graphite being superior compared to natural graphite
  - High **cycle stability** and good fast charging performance
  - **Scalable production** processes to market demand
- Market dynamics/size
  - Benefiting from strong growth in e-mobility and stationary power storage; GAM demand from announced EU LiB factory plans ca. 400 t/a by 2025
  - CAGR (2020-25): 30%; Market size (2025): €5.8 billion
- Participation of SGL Carbon
  - Tailor-made products based on SGL synthetic graphite
  - Superior position of SGL in fast growing market Europe
  - In different stages of qualification at cell makers and OEM
  - European project funding potential under IPCEI
  - SGL offers services via its Battery Application Lab



Synthetic  
graphite powder

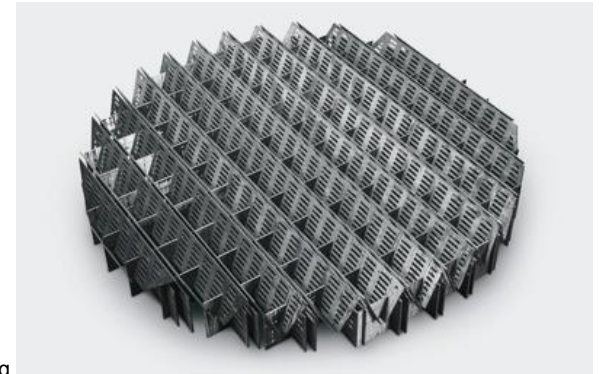


Battery  
Application  
Laboratory

# SIGRABOND® Chemical column internals based on CFRC

## Benchmark in state-of-the-art column design

- Reasons for usage of such products:
  - **Weight advantage** of factor 3 to 5 compared to alternative materials like exotic metals, plastics or ceramics
  - **Corrosion** and **temperature resistance** up to 1000°C
- Market dynamics/size:
  - Estimated accessible market size €30-50 million
  - Mainly driven by debottlenecking activities in Western markets and upcoming requests for projects in Asia (e.g. CN)
- Participation of SGL Carbon:
  - SGL is unique solution provider globally
  - Sales of single components up to full column solutions
  - Based on inhouse engineering



# 7 Outlook FY 2020

# Reporting segment outlook FY2020

## CFM

- **Sales revenues** to decline by approximately 10%
  - Cost saving capacity adjustments (conversion of one line to precursor for carbon fiber production and idling of two lines) in **Textile Fibers** and Covid-19-driven demand decline from **Automotive**
  - Partially compensated by strong demand increase in market segment **Wind Energy**
- **Recurring EBIT** to improve to a slightly positive result
  - Negative earnings effects of pandemic-driven lower sales revenues mitigated with personnel measures such as short-time work as well as various spending reductions and postponements
  - Earnings improvement measures implemented in **Textile Fibers** in H2/2019
  - Price increases in **Wind Energy** business implemented early 2020

# Reporting segment outlook FY2020

## GMS and Corporate

### GMS

- **Sales revenues** to decline by approx. 20% due to weaker demand in all market segments with exception of **Semiconductors**, which is expected to grow slightly
- **Recurring EBIT** expected to decline by at least 50% YoY
  - Due to reduced sales revenue expectations as described above and resulting substantially lower capacity utilization

### Corporate

- Expected substantial deterioration in **operating recurring EBIT** can mainly be attributed to
  - Expected higher consulting costs in the reporting period
  - Prior year benefiting from one-time gains from services provided to the buyer of the former PP-activities

# Group outlook FY 2020. Net result guidance adjusted for impairment charge and restructuring provisions

- Unchanged: Full year **Group sales revenues** to decline by 15-20% YoY; full year **operating Group recurring EBIT** expected to be slightly positive
- **Group recurring EBIT** positively impacted by one-time effects of €8.5 million in Q3/2020 from SDK compensation payment
- Due to restructuring provisions and impairment charges, which will be recorded in the fourth quarter 2020, **net result from continuing operations** is below our prior guidance (improvement to a negative low double-digit million € amount) and below the prior year result of minus €90 million. We now expect net result of minus €130 million to €150 million
- **Capex** guidance unchanged at approx. €60 million
- Unchanged: **Net debt** at YE 2020 to increase by a mid double-digit million € amount due mainly to the payment of the purchase price for SGL Composites USA (USD 62 million)
  - Significantly lower operating result compensated by above mentioned executed additional funding measures
- Given solid liquidity position at end Sept. 2020 (€167 million) plus additional cash inflow in Q4/2020, **liquidity** position remains comfortable despite planned purchase price payment in Q4/2020 and upcoming restructuring expenses
- In addition, we continue to have access to the **syndicated loan** of €175 million, which remains undrawn



# 8 Latest financials 9M/2020

## Composites – Fibers & Materials. Benefited from strong wind energy business and earnings improvement measures

in € million	9M/2020	9M/2019	Δ
Sales revenue	283.4	328.6	-14%
EBITDA <sup>1</sup>	32.0	24.1	33%
EBIT <sup>1</sup>	10.6	-1.8	-
EBIT <sup>1</sup> -Margin (in %)	3.7	-0.5	-
ROCE <sub>EBIT</sub> <sup>1</sup> (in %)	0.7	-0.3	-

- Q3/2020 recovered from Covid-19 pandemic weakened Q2/2020 with EBIT turning substantially positive
- **Sales revenue** in 9M/2020 down 14% (no currency impact)
  - Strongest % decline as expected in market segment **Textile Fibers** due to idling of two acrylic fiber lines and conversion of one acrylic fiber line to precursor (part of earnings improvement measures initiated at the end of 2019)
  - Corona-related negative developments in market segments **Automotive** and **Industrial Applications**
  - Sales in **Wind Energy** increased by more than 60% – stronger growth than initially expected
  - **Aerospace** remained relatively stable on a low level
- **EBIT**<sup>1</sup> in 9M/2020 increased substantially from low level in 9M/2019
  - Substantially improved results in **Wind Energy** as well as implement **earnings improvement measures** only slightly offset by weaker **Automotive** business and approx. €4 million lower earnings contribution from At-Equity accounted investments

<sup>1</sup>Before non-recurring items of minus€7.6 million in 9M/2020 and minus€81.0 million in 9M/2019

# Graphite Materials & Systems. Increased Covid-19 impact in Q3/2020 due to late-cyclical nature of business

in € million	9M/2020	9M/2019	Δ
Sales revenue	373.1	480.1	-22%
EBITDA <sup>1</sup>	59.1	94.8	-38%
EBIT <sup>1</sup>	35.4	74.5	-52%
EBIT <sup>1</sup> -Margin (in %)	9.5	15.5	-
ROCE <sub>EBIT</sub> <sup>1</sup> (in %)	8.7	17.5	-

- Increasing impact from Covid-19 pandemic in Q3/2020 – sales down by 25% YoY, EBIT down by 55% YoY
- **Sales revenue** in 9M/2020 down 22% (no material currency impact)
  - All market segments declined compared to prior year period except **Semiconductors**, which grew by a low double-digit percentage
  - Related to expected lower demand in Battery & other Energy due to changes in supply chain of our customer as well as pandemic-driven lower business volumes in most market segments
- **EBIT** in 9M/2020 decreased by 52% from record level in prior year
  - IFRS 15 effect alone contributed roughly €10 million to earnings decline
  - In line with sales revenue, almost all markets segments recorded lower earnings compared to prior year period
  - Only market segments **Semiconductor** and **Automotive & Transport** remained stable and close to prior year level

<sup>1</sup>Adjusted to reflect the reclassification of the business with gas diffusion layers from Corporate

## Corporate. Sales and EBIT benefited from compensation agreement with Showa Denko

in € million	9M/2020	9M/2019 <sup>1</sup>	Δ
Sales revenue	27.0	23.7	14%
- of which Central Innovation	1.1	0.7	57%
EBITDA	-5.1	-11.7	56%
Recurring EBIT <sup>2</sup>	-12.1	-18.5	35%
EBIT (reported)	-13.6	-18.5	27%
- of which Central Innovation	-7.2	-7.5	4%
Operating recurring EBIT <sup>3</sup>	-20.6	-18.5	-11%

- In July 2020, SGL and Showa Denko (SDK) mutually agreed to prematurely terminate all contractual relationships between the two parties against a low double-digit million € compensation payment from SDK. An amount of €8.5 million of the compensation related to the early termination of rental and service contracts and was recorded as positive one-time effects in **sales revenue** and **recurring EBIT** in Q3/2020
- **Sales revenue** increased by 14% (no currency effect), **recurring EBIT** by approx. 35% due to the agreement with SDK
- **Operating recurring EBIT** remained 11% below prior year level as expected due to higher consultancy costs and lower services provided to divested business units (former Business Unit Performance Products resp. PP)

<sup>1</sup>Adjusted to reflect the reclassification of the business with gas diffusion layers to the reporting segment GMS; <sup>2</sup>EBIT before non-recurring items of minus €1.5 million in 9M/2020; <sup>3</sup>EBIT before positive one-time effects of €8.5 million and non-recurring items of minus €1.5 million in 9M/2020

## Group P&L. Despite improved net financial result, significant recurring EBIT decline leads to slight loss in net result – 1

in € million	9M/2020	9M/2019	Δ
Sales revenue	683.5	832.4	-18%
<b>EBITDA before non-recurring items</b>	<b>86.0</b>	<b>107.2</b>	<b>-20%</b>
<b>EBIT before non-recurring items</b>	<b>33.9</b>	<b>54.2</b>	<b>-38%</b>
<i>ROCE<sub>EBIT</sub> (in %)</i>	2.3	4.7	-
Non-recurring items/Impairment charge	-9.1	-81.0	-89%
EBIT	24.8	-26.8	-

- Drivers of **Group sales revenue, recurring EBIT, and operating recurring EBIT** development described on prior pages

## Group P&L. Despite improved net financial result, significant recurring EBIT decline leads to slight loss in net result – 2

in € million	9M/2020	9M/2019	Δ
Net financial result	-23.4	-32.6	28%
Profit/loss before tax	1.4	-59.4	-
Income tax expense, non controlling interests, results from discontinued activities	-5.3	-15.1	65%
<b>Consolidated net result attributable to shareholders of parent company</b>	<b>-3.9</b>	<b>-74.5</b>	<b>95%</b>
Operating EBIT before non-recurring items	25.4	54.2	-53%

- **Net financial result** improved due to
  - Absence of interest expenses for 2015/2020 convertible bond (still included in previous year)
  - Lower interest expenses for pensions in current year
  - Negative one-time impact of €6.3 million from early repurchase of 2015/2020 convertible bond in Q3/2019
- **Net result** of prior year included impairment loss. Net result in reporting period improved, but still slightly negative due to significant decline in recurring EBIT

## Group balance sheet. Improved liquidity and solid financial ratios as of September 30, 2020

in € million	30.09.2020	31.12.2019
Equity ratio (in %)	25.6	27.8
Total liquidity	166.8	137.1
Net financial debt	262.4	288.5
Gearing (net debt/equity)	0.71	-0.69
Leverage ratio (net debt/EBITDA)	2.66	2.40

- **Equity ratio** declined slightly mainly due to lower pension discount rate environment in Germany and USA
- Increased **liquidity** to nearly €167 million at end of 9M/2020 compared to approx. €137 million at year-end 2019
  - Despite substantial adverse pandemic-related effects in operations and business development particularly in CFM in Q2 and GMS in Q3, liquidity further increased during ytd 2020
- Improvement in **net financial debt** primarily attributable to positive free cash flow from continuing operations of €43.7 million
  - Slightly offset by repayments for lease liabilities of €13.5 million and payments for discontinued operations of €2.0 million

## Group cash flow. Positive free cash flow due to effective working capital management and lower capex

in € million (continuing operations)	9M/2020	9M/2019
Cash flow from operating activities	68.8	29.9
Cash flow from investing activities	-25.1	-39.5
• Capex in property, plant, equipment and intangible assets	-33.2	-50.7
• Cash flow from other investing activities <sup>1</sup>	8.1	11.2
Free cash flow	43.7	-9.6
Free cash flow from discontinued operations	-2.0	-9.8

- **Cash flow from operating activities** improved significantly to €68.8 million from €29.9 million despite lower earnings primarily due to improved net working capital management
- **Free cash flow from continuing operations** improved significantly to €43.7 million from minus €9.6 million in prior year
  - Substantial improvement in operating cash flow
  - Significantly lower capex (-35%) as we push back some expenditures to preserve liquidity in current uncertain environment
- **Free cash flow from discontinued operations** also improved significantly and included a tax payment for prior years for former business unit PP
  - Prior year included cash outflow relating to final settlement payments to buyer of HITCO Aerostructures

<sup>1</sup>Dividends received, payments for capital contributions in investments accounted for At-Equity, and other financial assets, payments for acquiring remaining stakes in our joint ventures, proceeds from sale of intangible assets and property, plant and equipment



# Financial Development

## Quarterly trend of key balance sheet figures

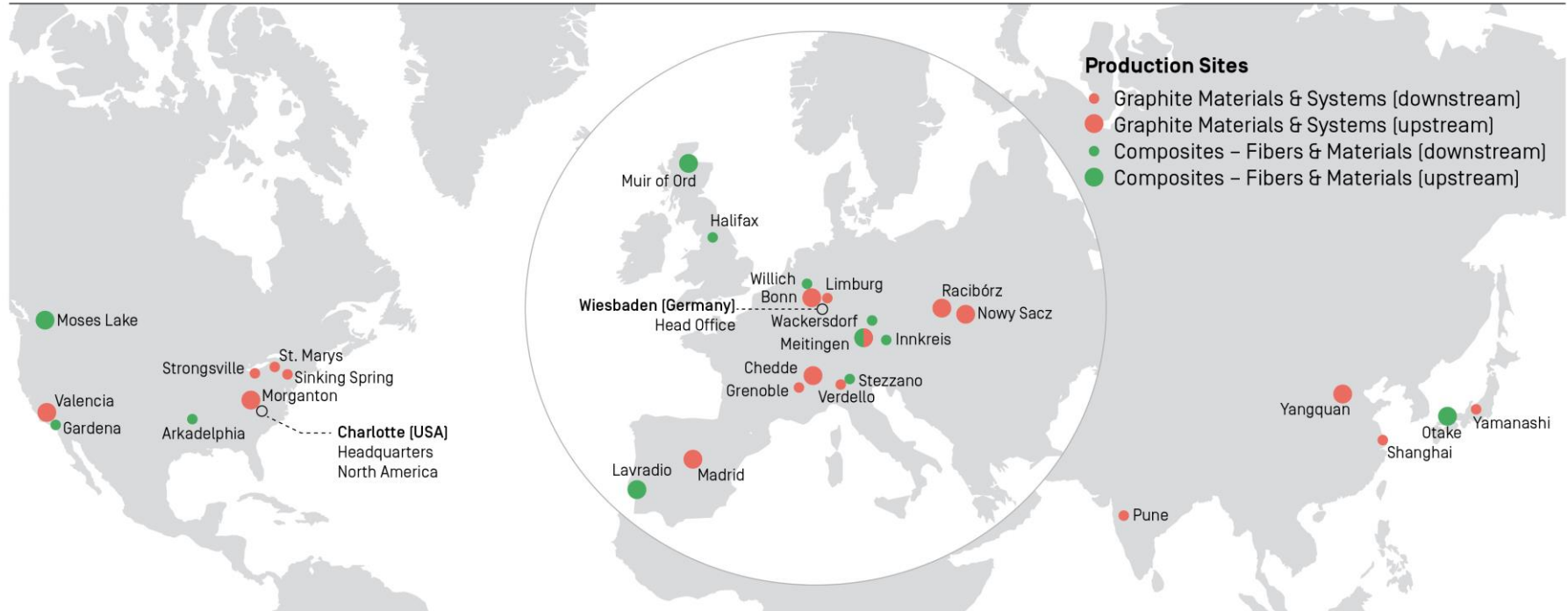
	31.12.2019	31.03.2020	30.06.2020	30.09.2020	
Total Net Debt in € million	<b>Total Gross Debt</b>	<b>426</b>	<b>431</b>	<b>430</b>	<b>429</b>
	Cash and cash equivalents	-137	-150	-154	-167
	<b>Total Net Debt</b>	<b>289</b>	<b>281</b>	<b>276</b>	<b>262</b>
	Undrawn credit lines	175	175	175	175
Equity ratio & Gearing	Shareholder equity	419	443	398	372
	<b>Total Assets</b>	<b>1.505</b>	<b>1.500</b>	<b>1.461</b>	<b>1.454</b>
	Gearing	0.69	0.63	0.69	0.71
	Equity ratio	27.8%	29.6%	27.3%	25.6%
Net debt/EBITDA <sup>1</sup>	2.4	2.6	3.0	2.7	

<sup>1</sup> before exceptional items

# 9 Backup various

# Global presence

## SGL Carbon worldwide sites



# Sustainability at SGL Carbon - As a technology-based company, we are aware of our environmental and social responsibility

Environmental	Social	Governance
<ul style="list-style-type: none"><li>• <b>Energy management system</b> ISO 50001-certified from <b>DQS</b> and <b>DEKRA</b> (incl. the non-European sites Moses Lake, Gardena and Arkadelphia)</li><li>• <b>Electricity from renewable sources</b> in particular at the sites Moses Lake, Wackersdorf and Innkreis</li><li>• Stringent <b>resource management</b> and reporting (i.e., waste and water)</li><li>• Assessment of <b>environmental impact of product portfolio</b></li></ul>	<ul style="list-style-type: none"><li>• SGL Carbon <b>Code of Conduct</b> respecting the principles of the <b>UN Global Compact</b></li><li>• <b>Global EHSA policy</b> (safe and healthy working conditions, minimization of environmental impact of our business activities)</li><li>• <b>Human rights policy</b> incl. grievance mechanisms</li><li>• <b>Supplier Code of Conduct</b> anchored in general purchasing conditions</li></ul>	<ul style="list-style-type: none"><li>• Distinct <b>sustainability targets</b> for the Board of Management (introduced 2020)</li><li>• Comprehensive <b>risk management</b> incl. non-financial risks, e.g., climate-related risks</li><li>• <b>Compliance Management System*</b> incl. whistleblower hotline</li><li>• Comprehensive <b>compliance training</b> programs (physical and online)</li><li>• <b>Global Anti-corruption program</b></li></ul>

Participation in  (first time 2020) and various supplier assessments incl. Ecovadis, IntegrityNext and NQC

# Update on COVID-19 impact on our operations

## SGL implemented countermeasures very early

- In spring of 2020, SGL Carbon successfully implemented Corona countermeasures early in order to prevent a spread of the COVID-19 virus within the organization and the sites
- These countermeasures were eased during the summer months 2020, but were reinforced in autumn in order to manage the second wave that is still rolling over the northern hemisphere
- At the moment, SGL Carbon has 39 infected employees, and 42 employees are in preventive quarantine
- Since the beginning of the outbreak, a total of 149 employees were infected by Corona, thereof 110 already recovered
- Despite the increasing numbers worldwide, SGL carbon managed to flatten the curve. Almost all infections of SGL employees happened in the private environment.
- Even though the uncertainty regarding a second pandemic wave and an associated further decline in demand due to a recession increased recently, we are able to confirm our guidance for Group sales and Group operating recurring EBIT for fiscal year 2020

# Financial calendar/contact details

## Financial calendar 2021

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March 25, 2021	Annual Report 2020
May 12, 2021	Quarterly Statement as of March 31
May 21, 2021	Annual General Meeting
August 12, 2021	Report on the first half year 2021
November 11, 2021	Statement on the nine months 2021

## Contact

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