



# Speech of Dr. Torsten Derr Chief Executive Officer

Annual General Meeting 2021

## ***The spoken word applies***

Thank you very much Ms. Klatten, ladies and gentlemen, welcome to the second virtual Annual General Meeting of SGL Carbon SE.

At last year's Annual General Meeting, I had been in office in my new role as Chief Executive Officer for only a few days. Today I can report to you an eventful 11 months in which we have achieved a lot. This makes me confident about the future of our company. Still there is a bunch of homework to be done. I will also report on this to you today. Right at the beginning of my presentation, I would like to give you a key message that my Board colleague, Thomas Dippold, and I stand for unrestrictedly: We want to be reliable!

Let me start by giving you our impression of SGL so far:

- Our company plays in the top league in terms of technology and has an excellent reputation among many customers.
- The employees are very committed and competent.
- And yet: There is a lot of potential for improvement, especially with regard to the cost structure. This is also the main reason why SGL is not yet earning enough money despite the obvious great opportunities.
- In terms of corporate culture, the technical solution often came first, rather than profitability.

We therefore need:

- Simple and customer-oriented structures
- A new corporate culture
- Business strategies with the clear objective to always ensure profitability first, and
- A clear commitment to increase value for all stakeholders. Meaning also for you, our shareholders.

Right from the start, we focused on optimizing our structures.

As part of the necessary restructuring, we streamlined the administration from 20 to 10 global administrative functions. This enabled us to reduce our costs and simplify processes already in 2020.

The most decisive structural change was the new organization of our business units. They are now divided into four clearly defined units. Since January 2021, the business unit heads have full profit and loss responsibility for their areas, also enabling them to better respond to different customer needs. The employees' targets are largely focused on the profit of the business units. It has been great to see how quickly this new concept triggered creativity and the sense of responsibility among our employees. This is how we are also increasing transparency for the capital market and thus also for you, our shareholders.

The transformation of our company is not just a pure restructuring, but rather a comprehensive transformation!

This is the only way to return to the growth mode as quickly as possible after the restructuring.

What have we done to achieve this in recent months? We first defined the basic principles for our new corporate culture which have already been introduced to all sites. We call them our "Formula Carbon". It is based on four elements:

- First, focus on the business
- Second, keep it simple
- Third, deliver on promises
- Fourth, act fast and think different

We are transforming our company. We defined 700 improvement initiatives as drivers of our transformation process back in fall last year.

300 employees worldwide are implementing these measures. The aim is to realize savings of over €100 million by 2023. This will not only make us leaner, but also more effective and profitable. To prove this, three words are crucial: deliver, deliver, deliver! This is what we are doing, as you can see from the progress on our initiatives highlighted.

We are making good progress:

- As of today, 60 percent of our now more than 750 initiatives have been implemented
- More than half of the planned €100 million annual savings have been initiated. The total costs for implementing the savings measures are expected to be around €40 million. More than half of these were already incurred in 2020.
- Unfortunately, our transformation program cannot be implemented without personnel measures. We will therefore cut more than 500 jobs compared with the base year 2019. 390 employees have already left the company. For me, it was important to work closely and cooperatively with our employee representatives on this.

We will not, however, rest on this interim success.

How did the Corona year 2020 go economically? There were shadows, but particularly towards the end of the year, there were also more and more bright spots.

First, I would like to briefly report on how we handled the Corona pandemic. The health and well-being of our employees is always our top priority. We responded quickly and effectively and today we can say: our anti-Corona measures have been and still are effective. There was no need to close important sites or shut down our production there at any time.

As with all manufacturing companies, the pandemic had a noticeable negative impact on our business development. Given the different cyclical nature of our businesses, this extends into the current year.

While there was a recovery in demand for carbon fibers at the end of the year, our business with graphite products picked up only very slowly until year end. As a result, Group sales in the Corona year 2020 were 15 percent below the previous year's level at €919 million. We were able to compensate part of the losses on the cost side by countermeasures such as short-time work and cost reductions. Due to an impairment loss of €107 million in the carbon fiber business as well as restructuring expenses, we again had to report a high loss after tax of €132 million. These years of high losses must come to an end. More on this in a moment when it comes to the outlook!

We were also able to report positive trends last year:

- We succeeded in stabilizing EBIT before non-recurring items at €50 million thanks to one-off effects from land sales and a compensation payment from the buyer of our former graphite electrodes business.
- Operationally, we were able to partially offset negative effects from the Corona pandemic by winning new customers in the wind sector and by already effective cost savings.
- In addition, free cash flow from continuing operations increased to €74 million with the help of strictly limited spending as well as one-time effects. As a result, we were able to slightly reduce our net financial debt to €287 million despite the purchase price payment of over €50 million for our carbon fiber plant of the former joint venture with BMW in Moses Lake.

My confidence in our company is strengthened by the visible upward trend in the first quarter of the new fiscal year 2021. We already communicated details of this to you in our quarterly statement on May 12.

At €241.5 million, Group sales were roughly on a similar level as in 2019. An expected positive effect from a contract termination in the graphite business contributed to both sales and earnings. Accordingly, we were able to report an EBITDA pre of €33 million, significantly above the previous year.

I would also like to mention the brightening order situation from the automotive industry as well as the continued good demand from China and the semiconductor industry.

As a result of the efficiency improvements we have made, we were also able to noticeably improve our balance sheet. For example, cash and cash equivalents increased from around €142 million at the end of 2020 to €169 million. The equity ratio increased from 17.5 to 20.4 percent.

In summary, we are fully on track for 2021.

The transformation aims to put our company back on a solid financial and structural basis. We are making good progress.

SGL Carbon has to return to a growth path! We have the potential to make this happen, as a closer look at our four business areas shows. We see numerous promising future potentials and value drivers in all of them.

With regard to our products, we are a technological leader when it comes to the realization of megatrends such as electromobility, alternative energies, lightweight construction and digitization. In the view of this potential, there are good opportunities for significant growth in the coming years.

One key component for our future success will be sustainability.

Europe is aiming to become the first climate-neutral continent by 2050. Also Germany has significantly adjusted its CO2 reduction targets and plans to achieve climate neutrality by 2045. The European Green Deal promotes sustainability in various areas in which we already have leading positions. We will continue to develop massively in this area.

On the one hand, for us this means to become more sustainable in the areas of the environment, social affairs and corporate governance. On the other hand, sustainability also implies to make a sustainable contribution with our products.

Electromobility plays a crucial role. Experts expect the number of fully electric or hybrid vehicles in Germany to rise from 600,000 today to around 45 million in 20 years. This trend is also reflected in the objectives of the major car manufacturers, some of which want to convert their entire portfolio to electric drive by 2030. To achieve this goal, currently 27 new battery factories are planned in Europe. SGL Carbon is the largest European supplier of an important component of these batteries, the graphite anode material, without which a battery cannot be manufactured.

In future, trucks and buses will also be powered in a climate-neutral manner - mostly with the help of fuel cells in which hydrogen is converted into electricity. Hydrogen technology drastically increases the range of an electric truck and reduces the high weight of the batteries. SGL is one of the world's largest manufacturers of gas diffusion layers, without which no fuel cell can be produced.

Electric cars only bring their climate benefits if they are charged with green electricity from sustainable energy sources. Accordingly, the demand for wind farms and solar fields will continue to grow strongly. SGL Carbon is an established technology partner with its solutions also in this area. Without carbon fibers, new off-shore wind turbines with blade lengths of over 100 meters cannot be manufactured.

SGL is also involved in the conversion of green electricity to green hydrogen. This requires a membrane for the necessary electrolysis, which we produce as well.

The following four examples of products that SGL Carbon is already manufacturing on an industrial scale give you a more tangible view on what I just said.

- At the top left you can see a so-called meander heater made of specialty graphite in our Bonn plant for melting silicon, which is then used for solar cells.
- On the right you can see carbon fibers produced in our plants in Scotland and the USA. These are irreplaceable for modern wind turbines.
- At the bottom right we come to the picture of a gas diffusion layer from our Meitingen plant. The core element of a fuel cell.
- Last but not least, on the bottom left you can see our already mentioned graphite anode material. We produce the material mainly in our plant in Poland and other sites. Almost all future battery manufacturers in Europe are currently testing our samples in their laboratories. In this context, we have received a funding commitment of 43 million euros in March as part of an EU program to establish a European value chain for lithium-ion batteries.

Ladies and Gentlemen,

You can see that SGL will make a decisive contribution to realizing and accelerating important megatrends. We will support the European Green Deal with our products and will do everything we can to realize the growth potential around sustainability.

In this context, we will develop a comprehensive redesign of our sustainability strategy with reliable targets.

Where are we currently standing regarding our strategic planning? In the current first phase – transformation– we are focusing on cost efficiency, higher profitability and the generation of substantial free cash flows. The basis for this is the establishment of a new organization and a profound cultural change in the company.

Before the end of the year, we will also be addressing our production structures in a second phase –improvement– and moving step by step along the path to sustainable growth. We will primarily achieve this through selective investment in particularly high-margin areas.

The sooner we complete our tasks, the sooner we can start the 3rd phase –acceleration– with future major investment projects for strong organic growth.

Risking to repeat, but we are taking things step by step and doing our work conscientiously, because we want to deliver what we promise.

Dear shareholders, what are our specific plans for 2021 and the coming years?

We have proven ourselves in times of crisis. We have created a structure in which we can promote particularly promising businesses in a more targeted way. We are back on a firm financial basis and have no significant maturities from existing financial instruments until 2023.

When the global economy returns to normal, SGL Carbon will benefit twice: our business will come back, and at lower costs. This is also reflected in our outlook.

We expect a moderate recovery in the fiscal year 2021. Sales revenue should be slightly above the previous year in the range of €920 million to €970 million. For EBITDA pre, we expect an improvement to a level between €100 million and €120 million compared to €93 million in the previous year. This corresponds to an EBITDA pre-margin of 11 to 12 percent. In particular, the restructuring measures will have a positive impact. Accordingly, net result is also expected to improve significantly in 2021 to a range between minus €20 million and €0 million.

However, we will not be satisfied with that.

We want to expand our Group sales again to a range between €1.2 billion and €1.3 billion by 2025. Successes from our improvement initiatives, our promising product portfolio and hopefully also some economic tailwind should contribute to this. The aim is to increase profitability to an EBITDA pre-margin between 15 and 18 percent.

Operational in this case means operational, excluding adjustments, special effects and impairment losses.

The above also promises the return to substantial after-tax profits and appreciable operating free cash flow from 2022.

The money generated in this way will primarily be invested in expanding our organic growth.

It is important for me to point out that the medium- to long-term targets have not yet taken into account major growth projects, such as the li-ion batteries.

Ladies and Gentlemen, words are like sand and air. A lot will change and already has changed.

My colleague on the Board of Management, Thomas Dippold, and I will make SGL Carbon a more valuable and value-creating company again.

The stock market has already rewarded our approach and our positioning in future markets. We were happy to have been listed in the SDAX again since March of this year.

Given our history of missed expectations, we also understand the skepticism of many investors. This is an additional incentive for us and at the same time an obligation to keep our promises.

Thomas Dippold and I have acquired more than 200,000 SGL shares since mid-2020. As you can see, we also have a great interest to secure the positive development on the stock market to continue.

We want to and will proceed creating value, for our shareholders, but also for our employees, to whom I would like to express my sincere thanks at this point for their great commitment. And I would particularly like to thank the Supervisory Board, especially Ms. Klatten, for their close and trusting cooperation and support of our transformation.

Dear shareholders,  
I look forward to leading our Company with you and for you into a successful future.

Thank you very much for your attention and thank you for your trust!