Press Release

Wiesbaden, August 13, 2020

As expected, SGL Carbon's second quarter impacted by Corona pandemic – Sales and recurring EBIT significantly decreased in first half of 2020

- Sales in the second quarter approximately 23 percent below prior-year period; Group recurring EBIT of around 2 million euros was slightly better than anticipated at the presentation of the results of the first quarter 2020
- Group sales in the first half year 2020 at almost 457 million euros and thus around 19 percent below the prior-year period; decrease in sales due to pandemic-related overall weaker business development as well as expected declining developments in the market segments Battery & other Energy (GMS) and Textile Fibers (CFM)
- Group recurring EBIT down approximately 71 percent to 11 million euros
- As a result of measures taken at an early stage and contrary to the normal seasonal trend, cash and cash equivalents at nearly 154 million euros as of June 30, 2020 developed very positively compared to the end of 2019
- According to the full year forecast published on July 28, 2020, SGL Carbon expects Group sales to decline by 15 to 20 percent and a slightly positive operating recurring EBIT
- Dr. Torsten Derr, CEO of SGL Carbon: "My ambition is to achieve lasting success with SGL Carbon. Over the past two months, we have been conducting a comprehensive analysis of our processes, structures and markets. Based on this, we will identify the options that will enable us to sustainably increase our profitability. The Corona pandemic is forcing us to act even faster."

As expected, the second quarter of SGL Carbon was impacted by the Corona pandemic, but not to the extent predicted in May when the quarterly statement for the period ended March 31, 2020 was published. Sales in the three months as per end of June decreased approximately 23 percent year-on-year, whereas Group recurring EBIT was at around 2 million euros and thus higher than anticipated. In total, SGL Carbon reached Group sales of 457 million euros in the first half year. This corresponds to a decrease of around 19 percent year-on-year. The decline is due to a pandemic-related overall weaker business development as well as expected declining developments in the market segments Battery & other Energy (GMS) and Textile Fibers (CFM) due to capacity adjustments. Group recurring EBIT was down approximately 71 percent to 11 million euros.

On July 28, 2020, SGL Carbon published a forecast for the full year 2020 under certain assumptions. Accordingly, the company anticipates Group sales to decline by 15 to 20 percent compared to the prior year. The operating recurring Group EBIT is expected to develop slightly positive. In particular, a second pandemic wave and an associated further decline in demand

SGL Carbon SE
Corporate Communications, Media Relations
Soehnleinstrasse 8
65201 Wiesbaden/Germany
Phone +49 611 6029-100 | Fax +49 611 6029-101
press@sglcarbon.com | www.sglcarbon.com

due to a recession is not taken into account in the current forecast. As a result of measures taken at an early stage and contrary to the normal seasonal trend, cash and cash equivalents at nearly 154 million euros as of June 30, 2020 developed very positively compared to 137 million euros at the end of 2019.

"My ambition is to achieve lasting success with SGL Carbon. Over the past two months, we have been conducting a comprehensive analysis of our processes, structures and markets," says Dr. Torsten Derr, CEO of SGL Carbon. "Based on this we will identify the options that will enable us to sustainably increase our profitability. The Corona pandemic is forcing us to act even faster."

In the first half year 2020, sales of SGL Carbon fell significantly by almost 19 percent to 456.5 (previous year: 561.5) million euros. Recurring EBIT decreased by 71 percent to 10.8 (previous year: 37.8) million euros. The return on capital employed (ROCE) based on recurring EBIT was 1.7 (previous year: 4.6) percent. After non-recurring items, EBIT in the first half year 2020 decreased to 5.7 (previous year: 33.5) million euros. Net financing result improved to minus 15.8 (previous year: minus 18.7) million euros. Due to the reduced EBIT, the result from continuing operations before income taxes decreased to minus 10.1 (previous year: 14.8) million euros. Consolidated net result of the period amounted to minus 13.8 (previous year: 10.1) million euros.

Composites – Fibers & Materials (CFM): Sales revenue in the second quarter impacted by Corona pandemic; recurring EBIT decreased by one million to 1.8 million euros in the first half of 2020

In the business unit CFM, the effects of the Corona pandemic were clearly visible only since the second quarter. From April to July 2020, sales declined by approximately 22 percent year-over-year and recurring EBIT turned slightly negative. Based on the half year period, sales in CFM declined by approximately 15 percent (currency adjusted: minus 16 percent) to 185.7 (previous year: 219.4) million euros. The largest percentage decline was recorded in the market segment Textile Fibers, where one acrylic fiber line was converted to precursor and two acrylic fiber lines were idled since the end of 2019 as part of earnings improvement measures. Corona-related declines were recorded in the market segments Automotive and Aerospace. In contrast, business with the wind energy industry doubled and thus developed more favorable than initially anticipated. Industrial Application remained relatively stable and close to the prior year level. Recurring EBIT in the first half year 2020 declined from 2.8 million euros in the prior year period to 1.8 million euros in the reporting period due to the Corona related slight loss in the second quarter 2020. The substantially improved results in the wind energy business were more than offset by the approximately 4 million euros lower earnings contribution from At-Equity accounted investments. The reason for the lower At-Equity earnings are temporary production stops at both sites of Brembo SGL between end of March and end of April 2020. EBIT margin in the business unit CFM declined to 1.0 (previous year: 1.3) percent. Return on capital employed (ROCE) based on recurring EBIT of the reporting unit CFM was at minus 1.5 (previous year: plus 0.9) percent. The negative ROCE results from the calculation method employing recurring EBIT for the last twelve months.

Graphite Materials & Systems (GMS): Decline in sales revenue in all market segments except Semiconductors; decline in EBIT by approximately 51 percent to 24.3 million euros

The initial impacts from the Corona pandemic were visible in the business unit GMS only since the second quarter 2020 as well. Compared to the prior year quarter, sales declined by almost

23 percent and EBIT by approximately 47 percent. In the first half year, sales of GMS declined by approximately 21 percent (no material currency impact) to 258.0 (previous year: 325.8) million euros due to lower revenues in all market segments except Semiconductors, which grew by a low double digit percentage. Compared to the record earnings level in the prior year period of 50.0 million euros, recurring EBIT decreased by approximately 51 percent to 24.3 million euros. The IRFS 15 effect alone contributed 9 million euros to the earnings decline. The EBIT margin deteriorated to 9.4 (previous year: 15.3) percent. In line with the development in sales, almost all market segments recorded an earnings decline. Earnings in the market segment Automotive & Transport remained stable despite lower sales due to productivity improvements. Return on capital employed (ROCE) based on recurring EBIT of the reporting unit GMS reached 11.2 (previous year: 17.0) percent.

Corporate: Sales revenues below prior year level; stable EBIT

Sales in the first half year 2020 in the business unit Corporate declined by 21 percent (no currency effect) due to reduced services provided to divested business units, i.e. the former business unit Performance Products. At minus 15.3 million euros, EBIT remained close to the prior year level.

Free cash flow from continuing operations improved significantly

Cash flow from operating activities in the first half year 2020 improved significantly by 25.4 million euros to 40.8 million euros, in particular because, in contrast to previous years, there was no significant increase in working capital. In addition, cash flow from investing activities improved from minus 24.6 million euros in the prior year period to minus 14.2 million euros in the reporting period, mainly because of lower capital expenditure in intangible assets and property, plant and equipment. Additionally, the first half of 2020 included cash inflows from a dividend payment from the joint venture with Brembo of 5.0 million (previous year: 6.0) million euros. As a result of the above effects, free cash flow from continuing operations improved significantly to 26.6 (previous year: minus 9.2) million euros.

As of June 30, 2020, total assets of SGL Carbon were at 1,460.5 million euros and thus slightly below the prior year level (December 31, 2019: 1.504,8 million euros). Equity attributable to the shareholders of the parent company decreased by 4.9 percent to 398.0 million euros (December 31, 2019: 418.6 million euros). The decrease is mainly attributable to the consolidated net result of minus 13.8 million euros. Overall, the equity ratio at 27.3 percent was almost at prior year level (December 31, 2019: 27.8 percent).

Guidance 2020: Group sales expected to decline by 15 to 20 percent year-on-year; slightly positive operating recurring Group EBIT anticipated

In light of the uncertainties surrounding the further development, the duration as well as the impacts of the Covid-19 pandemic, on April 1, 2020, the Board of Management of SGL Carbon SE decided to suspend the guidance for the fiscal year 2020 as published in the Annual Report 2019.

While the global economic backdrop continues to remain fragile and dominated by Covid-19, the outlook for the second half of the year is becoming more and more consistent. Therefore, under specific assumptions, which remain tentative, a Group outlook for the fiscal year 2020 was once again presented on July 28, 2020. In particular, a second pandemic wave and an associated further decline in demand due to a recession is not taken into account in the current forecast for the full year.

For the business unit CFM, SGL Carbon now anticipates sales revenues to decline by approximately 10 percent. Declining sales in the market segment Textile Fibers, which is mainly the result of capacity adjustments, as well as the Covid-19 related demand decline in the automotive industry, is unlikely to be compensated by the strong growth in the wind energy business and the increase in the market segment Aerospace. The deteriorated outlook compared to the guidance given before the Corona pandemic outbreak, when SGL Carbon had anticipated stable sales revenues, is related to all market segments except Wind Energy, where sales revenues are growing stronger than initially expected. For operating recurring EBIT, SGL Carbon now anticipates close to a break-even result, which is not far from the March 2020 guidance (turnaround and slightly positive EBIT), because the Company expects to be able to limit the negative earnings effects of the pandemic-driven lower sales revenues with personnel measures such as short-time work as well as various spending reductions and postponements. Additionally, earnings improvement measures implemented in the Textile Fibers business in the second half of 2019 as well as price increases in the wind energy business implemented early 2020 will contribute to the earnings improvement compared to the prior year.

In the business unit GMS, SGL Carbon now expects sales revenues to decline by approximately 20 percent due to the reduced business volume in all market segments expect Semiconductors, which is expected to remain on a similar level as in the prior year. The deterioration compared to the March 2020 outlook (high single-digit decline) mainly results from the weaker development in the economically more sensitive businesses with the chemical industry and industrial applications. The business unit also has reduced sales revenue expectations in the remaining market segments except Battery & other Energy. The operating recurring EBIT is anticipated to decline by at least 50 percent and therefore substantially more than planned in March (20 percent decline) based on the reduced sales revenue expectations and the resulting significantly lower capacity utilization.

In the reporting segment Corporate, SGL Carbon continues to expect a substantial deterioration in the operating recurring EBIT, due to expected higher consulting costs in the reporting period as well as a result of the prior year benefiting from one-time gains from services provided to the buyer of the former business unit Performance Products.

Based on the expected developments in the reporting segments as described above, SGL Carbon expects full year 2020 Group sales revenues to decline by 15 to 20 percent. Operating recurring Group EBIT is anticipated to record a slightly positive result.

As already communicated since the beginning of this year, SGL Carbon has been working on various additional funding options independent from the capital markets. Some of these measures have been successfully completed or substantially advanced after the balance sheet date. These will increase Group recurring EBIT in a low double-digit million Euro amount in the form of one-time effects, presumably mainly in the third quarter. Consequently, Group net result from continuing operations for fiscal year 2020 is expected in a similar magnitude as before the Covid-19 pandemic outbreak (negative low double-digit million Euro amount) despite a lower operating recurring Group EBIT.

To take into account the reduced operating earnings expectations and in the context of a conservative free cash flow management, capital expenditures will be further reduced in the current year to approximately 60 million euros (guidance in March 2020: 70-80 million euros) and thus below the level of depreciation. Investment focus in the business unit CFM is on the market segment Automotive (primarily to execute on the new battery casings orders).

In addition, SGL Carbon has invested into the conversion of another textile acrylic fiber line to PAN-precursor to supply its carbon fiber production. In GMS, investment focus is on the market segment Battery & other Energy (fuel cell components).

Thanks to the successful execution of additional non-capital market related funding options mentioned above, the March 2020 guidance of a mid double-digit million Euro increase in net debt at year-end 2020 compared to year-end 2019 can be more or less confirmed despite substantially lower operating earnings expectations. The increase in net debt can largely be attributed to the payment of the purchase price for SGL Composites USA (the carbon fiber plant of the former joint venture with BMW in Moses Lake, Washington, U.S.), in the amount of 62 million U.S. Dollar, which is due at the end of this year.

Accordingly, a comfortable liquidity position is expected at year-end 2020 despite the purchase price payment planned in the fourth quarter 2020. In addition, the syndicated loan in the amount of 175 million euros continues to remain available and undrawn.

Key Figures of SGL Carbon
(in million euros)

	H1 2020	H1 2019	Change
Sales revenue	456.5	561.5	-18.7 %
EBITDA before non-recurring items	44.1	73.1	-39.7 %
Operating profit (EBIT) before non-recurring items	10.8	37.8	-71.4 %
Return on sales (EBIT margin) [1)]	2.4 %	6.7 %	-4.3 %-points
Return on capital employed (ROCE EBIT) [2)]	1.7 %	4.6 %	-2.9 %-points
Operating profit (EBIT)	5.7	33.5	-83.0 %
Consolidated net result	-13.8	10.1	>-100 %
Earnings per share, basic and diluted (in €) continuing operations [3)]	-0.11	0.08	>-100 %
Payments to purchase intangible assets and property, plant & equipment	-19.9	-33.6	40.8 %
Free cash flow	26.6	-9.2	>100 %

	June 30, 2020	Dec. 31, 2019	Change
Total assets	1,460.5	1,504.8	-2.9 %
Equity attributable to shareholders of the parent company	398.0	418.6	-4.9 %
Net financial debt [4)]	276.2	288.5	-4.3 %
Debt ratio (Gearing) [5)]	3.03	2.40	–
Equity ratio [6)]	27.3 %	27.8 %	- 0.5 %-points
Employees	5,035	5,127	-1.8 %

1 Ratio of EBIT before non-recurring items to sales revenue
2 EBIT before non-recurring items for the last twelve months to average capital employed – continuing operations (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)
3 Based on an average number of 122.3 million shares (previous year: 122.3 million shares)
4 Financial liabilities (nominal amounts) less liquidity
5 Net financial debt divided by equity attributable to the shareholders of the parent company
6 Equity attributable to shareholders of the parent company divided by total assets

About SGL Carbon

SGL Carbon is a technology-based company and world leader in the development and production of carbon-based solutions. Its high-quality materials and products made from specialty graphite and composites are used in industrial sectors that determine the future: automotive, aerospace, solar and wind energy, semiconductor and LEDs as well as in 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 2019, SGL Carbon SE generated sales of around 1.1 billion euros. The company has approx. 5,100 employees at 31 locations in Europe, North America, and Asia.

Materials, products and solutions from SGL Carbon are embedded in the major topics of the future: sustainable mobility, new energies and cross-industry digitization. Further developments in these areas demand more intelligent, more efficient, networked and sustainable solutions. This is where the entrepreneurial vision of SGL Carbon evolves around: contributing to a smarter world.

Further information on SGL Carbon can be found at www.sglcarbon.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
Corporate Communications
Andreas Pütz – Vice President Corporate Communications and Marketing
Soehnleinstrasse 8
65201 Wiesbaden/Germany

Telephone +49 611 6029-100
Fax +49 611 6029-101
press@sglcarbon.com
www.sglcarbon.com

Investor Relations
Raj Junginger – Head of Investor Relations
Soehnleinstrasse 8
65201 Wiesbaden/Germany

Telephone +49 611 6029-103
Fax +49 611 6029-101
investor.relations@sglcarbon.com
www.sglcarbon.com

LinkedIn
Facebook
Twitter