sgl carbon

2020

Report on the first half year

Summary

Q1/2020 was not yet significantly impacted by the Covid-19 pandemic. In contrast, Q2/2020 sales decreased 23% year-on-year. However, Group recurring EBIT of approximately €2 million in Q2/2020 was not as weak as anticipated at the presentation of the Q1/2020 results.

Group sales in H1/2020 decreased by approximately 19% to €457 million, 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) due to capacity adjustments. Group recurring EBIT down approximately 70% to €11 million.

Due to more consistent expectations for the second half of the year and under certain assumptions, we published a forecast for the full year 2020 on July 28, 2020. Accordingly, we expect Group sales to decline by 15% to 20% year-on-year and a slightly positive Group operating recurring EBIT.

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 as of June 30, 2020 developed very positively compared to the end of 2019 (€137 million) particularly against the framework of the current economic environment.

Financial Highlights

€ million	1st Half Year 2020	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 (recurring EBIT)	10.8	37.8	−71.4%
Return on sales (EBIT-margin) [1]	2.4%	6.7%	-
Return on capital employed (ROCE $_{EBIT}$) [2]	1.7%	4.6%	-
Operating loss/profit	5.7	33.5	−83.0%
Consolidated net result (attributable to shareholders of the parent company)	−13.8	10.1	>-100%

€ million	30. Jun. 20	31. Dec. 19	Change
Total assets	1,460.5	1,504.8	−2.9%
Equity attributable to the shareholders of the parent company	398.0	418.6	−4.9%
Net financial debt [3]	276.2	288.5	−4.3%
Leverage ratio [4]	3.03	2.40	-
Equity ratio [5]	27.3%	27.8%	-

[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 (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)
[3] Financial liabilities (nominal amounts) less liquidity
[4] Net financial debt divided by EBITDA before non-recurrring charges of the last 12 months
[5] Equity attributable to the shareholders of the parent company divided by total assets

Content

News from the Headquarters and the Businesses

SGL Carbon

February 2020
The supervisory board of SGL Carbon SE has appointed Dr. Torsten Derr as Chief Executive Officer of SGL Carbon SE for the duration of five years effective July 1, 2020. On April 28, 2020, we were also able to report that Dr. Derr will take up his position one month earlier, on June 1, 2020. Since 2016, Dr. Derr is holding the position of Managing Director of SALTIGO GmbH, Leverkusen, a subsidiary of LANXESS AG. Following his master degree and attainment of his PhD in chemistry at the University of Bremen, he began his professional career at Bayer AG in 1997 and at LANXESS AG in 2003.

June 2020
Due to the corona-related contact restrictions, the Annual General Meeting on June 16, 2020 took place in a purely virtual format at the company's headquarters. The board members, a notary, Ms. Klatten as chairwoman of the supervisory board and Messrs. Denoke and Jodl as deputy chairmen of the supervisory board attended in person. The other members of the supervisory board were connected via video conference. During the AGM, Dr. Torsten Derr introduced himself to the shareholders as the new CEO of SGL Carbon SE. The questions of the shareholders could be submitted online before the AGM and were then answered during the event. Additionally, the supervisory board members Mrs. Klatten, Mr. Denoke and Mr. Eichler were re-elected with high approval rates. The vote was also conducted online. Approximately 320 shareholders participated online.

Reporting segment Composites – Fibers & Materials (CFM)

January 2020
SGL Carbon received a substantial contract from a North American automaker for the series production of the top and bottom layers for battery enclosures made of carbon and glass fiber reinforced composites.

At the beginning of this year, SGL Carbon started serial production of landing gears made from braided carbon fiber material, which will be installed in around 500 flight taxis worldwide over the next two years. The carbon fibers for the component are produced at the SGL Carbon plant in Muir of Ord, Scotland. The final component is being manufactured at the Innkreis site in Austria.

April 2020
After prototypes for a Chinese automotive manufacturer, a major order from a North American automaker and yet another order from a European sports car manufacturer, SGL Carbon has now been nominated by BMW Group to serially produce a cover component for battery enclosures. This substantial multi-year order will include the production of an innovative glass-fiber-based cover plate for the battery housing. The component will be used in a future BMW Group plug-in hybrid model.

Reporting segment Graphite Materials & Systems (GMS)

January 2020
SGL Carbon invested a total of approximately €25 million over the past three years in the modernization and expansion of its production capacities for specialty graphite automotive components at the Bonn site, which was completed in January 2020. Due to its durability, high strength, low friction behavior and high conductivity, the material is suitable for many different automotive applications. Examples include rotors and vanes in vacuum pumps for brake boosters, bearings for exhaust gas management, and sealing rings and bearings for seals in coolant pumps.

February 2020
SGL Carbon reported on receiving the "Supplier of the Year 2019" award for excellence in quality management and contributions to strengthen the overall competitiveness of the Hyundai Motor Group related to the manufacturing and supply of fuel cell components. The award is granted by the Korean automaker once a year, evaluating several hundreds of suppliers from across the world in different categories. This year, only two non-Korean suppliers were awarded.

July 2020
In our company magazine "thinc different", we took a close look at silicon carbide semiconductors and explained their highly attractive growth prospects. SGL Carbon supplies graphite components for the furnaces used to manufacture these semiconductors. These components must withstand temperatures of up to 2400 degrees Celsius and be of the highest purity, while temperatures of around 1500 degrees Celsius are sufficient for the growth of normal silicon crystals.

Interim Group Management Report

Economic environment

In June 2020, the International Monetary Fund (IMF) revised downwards the global growth forecast for the current year by another 1.9 percentage points to minus 4.9% mainly due to the Covid-19 pandemic impacts.

For the following year 2021, the IMF expects the global economy to significantly recover with a growth of 5.4%, albeit 0.4 percentage points below the last forecast from April 2020. The expected strong growth in 2021, however, is mainly the result of the low base due to the recessive quarters in 2020. Overall, the IMF continues to see considerable uncertainty regarding the forecast, the pandemic itself, its macroeconomic impact and the associated burdens on the financial and commodity markets.

For the euro area, the IMF expects economic output to decline by 10.2% in the current year, followed by a recovery of 6.0% in 2021. This means growth expectations have been lowered by 1.9 percentage points for 2020 and by 0.4 percentage points for 2021 compared to the IMF's April forecast. For Germany, minus 7.8% (minus 0.8 percentage points) is expected in 2020 and 5.4% (plus 0.2 percentage points) in the coming year.

The increasingly consistent outlook for the second half of the year prompted us to reinstate guidance for 2020 on July 28, 2020 under certain assumptions. 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.

Key events of the business development

Impacts and measures related to the Covid-19 pandemic

The Covid-19 pandemic affects the business operations of SGL Carbon. SGL Carbon has two clear priorities. Overriding target is to implement preventive measures to protect the health of our employees, their families and our business partners. In addition, it is our responsibility to manage our Company in the best way and as unscathed as possible through these difficult times. The board of management of SGL Carbon together with both business units and the central functions have put together a comprehensive package of measures. The implemented work and behavioral measures have contributed to the fact, that only very few SGL Carbon employees have so far been positively tested for the new Corona virus.

In the reporting segment GMS, the Covid-19 crisis particularly affected the market segments Industrial Applications, Chemicals and Automotive & Transport. In contrast, the market segments Battery & other Energy, LED, Solar and Semiconductor were nearly able to maintain their plan level. In the CFM reporting segment, all market segments except for Wind Energy are affected by the decline in business volume due to Covid-19.

SGL Carbon is globally active with 29 production sites. Some countries or regional authorities had implemented comprehensive restrictions such as lockdowns, which have had direct impact on our business operations. The GMS sites in China, India, Italy and Spain were temporarily affected by these restrictions, which have been lifted in the meantime and the sites have resumed operations. Due to temporary customer production stops, the CFM sites in Wackersdorf (Germany) and Austria have scaled back their production and introduced short time work. This also applied to the two production sites of the Brembo SGL joint venture. Thanks to the measures taken, the remaining sites of SGL Carbon in Germany, USA, UK, France, Portugal and Poland were able to largely maintain production and distribution of products without interruption, but at different degrees of utilization.

To counter the effects of the partially massive interruptions in the supply chain and their resulting lost work time, SGL Carbon is utilizing short time work as well as reduction of vacation and overtime at the sites and businesses, that are particularly affected. On June 30 approx. 20% of SGL Carbon employees were in short-time work or similar measures. The majority of short-time work measures are only used proportionally. Administrative employees and teams continued their activities largely from the home office.

Impairment test

The impacts of the Covid-19 pandemic on the overall economic growth and the sales and procurement markets relevant to SGL Carbon, as well as the significant decline in SGL Carbon's market capitalization, were indicators of a possible need for impairment and triggered event-driven impairment tests as of

March 31, 2020 for property, plant and equipment and intangible assets (including goodwill). The impairment tests carried out on March 31, 2020 have not resulted in an impairment. For further details, please refer to the Notes to the Condensed Consolidated Interim Financial Statements.

Business development

Segment Reporting

Reporting segment Composites – Fibers & Materials (CFM)

	1st Half Year		
€ million	2020	2019	Change
Sales revenue	185.7	219.4	–15.4%
EBITDA before non-recurring items [1]	16.0	19.9	–19.6%
EBIT before non-recurring items (recurring EBIT) [1]	1.8	2.8	–35.7%
Return on sales (EBIT-margin) [1]	1.0%	1.3%	-
Return on capital employed (ROCE $_{EBIT}$)[2]	–1.5%	0.9%	-
Operating loss (EBIT)	–3.3	–1.5	>-100%

[1] Non-recurring items of minus €5.1 million and minus €4.3 million in the first half year 2020 and 2019, respectively
[2] EBIT before non-recurring items for the last twelve months to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

While the first quarter 2020 in the reporting segment Composites – Fibers & Materials (CFM) was still relatively unaffected by the Corona crisis, the effects were clearly visible in the second quarter 2020. Accordingly, sales revenue in the second quarter 2020 declined by approximately 22% year-over-year and recurring EBIT turned slightly negative (details on the quarterly development on page 28).

In the reporting period, sales revenue declined by approximately 15% (currency adjusted minus 16%) to €185.7 million from €219.4 million in the prior year period. The largest percentage decline was recorded by the market segment Textile Fibers, however largely due to reduced supply. As part of the earnings improvement measures, we had at the end of 2019 started to convert one acrylic fiber line to precursor and to idle two acrylic fiber lines. 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 favorably than initially anticipated. Industrial Applications remained relatively stable and close to the prior year level.

Major investment accounted for At-Equity is the Ceramic Brake Discs business (Brembo SGL: development and production of carbon ceramic brake discs) which is allocated to the market segment Automotive and has two production sites in Meitingen (Germany) and Stezzano (Italy). Both sites had to stop production between end of March and end of April 2020, in Italy due to government regulations (lockdown) and in Germany due to production curtailments at important automotive customers. Accordingly, aggregated sales of the At-Equity accounted investments fell by approximately 23% to €93.6 million in the first half year 2020 (H1/2019: €120.9 million, 100% values for companies). This sales revenue is not included in Group consolidated sales revenues.

Recurring EBIT in the first half year 2020 declined from €2.8 million in the prior year period to €1.8 million 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 lower earnings contribution from At-Equity accounted investments. Accordingly, the EBIT margin slightly declined to 1.0% from 1.3%.

After consideration of non-recurring items of minus €5.1 million, EBIT in the first half year 2020 declined to minus €3.3 million (H1/2019: minus €1.5 million). Non-recurring items in the reporting period and in the prior year period mainly included the additional depreciation relating to the purchase price allocation from the acquisition of the shares in the SGL Composite companies.

Reporting segment Graphite Materials & Systems (GMS)

	1st Half Year		
€ million	2020	2019[1]	Change
Sales revenue	258.0	325.8	–20.8%
EBITDA	38.6	63.1	–38.8%
Operating profit (EBIT)	24.3	50.0	–51.4%
Return on sales (EBIT-margin)	9.4%	15.3%	-
Return on capital employed (ROCE $_{EBIT}$)[2]	11.2%	17.0%	-

[1] Adjusted to reflect the reclassification of the business with gas diffusuion layers from Corporate
[2] EBIT before non-recurring items for the last twelve months to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

The initial impacts from the Corona pandemic were also visible only in the second quarter 2020 in the reporting segment Graphite Materials & Systems (GMS). Compared to the prior year quarter, sales declined by almost 23% and EBIT by approximately 47% (details on the quarterly development on page 28).

In total, sales revenue in the reporting period declined by approximately 21% (no material currency impact) to €258.0 million from €325.8 million in the prior year period due to lower sales 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 (H1/2019: €50.0 million), recurring EBIT in the reporting period decreased by approximately 51% to €24.3 million. The IRFS 15 effect alone contributed €9 million to the earnings decline. The EBIT margin deteriorated to 9.4% (H1/2019: 15.3%). In line with the development in sales revenues, almost all market segments recorded an earnings decline compared to the prior year period. Earnings in the market segment Automotive & Transport remained stable despite lower sales revenues due to productivity improvements.

Reporting segment Corporate

	1st Half Year		
€ million	2020	2019[1]	Change
Sales revenue	12.8	16.3	–21.5%
thereof Central Innovation	0.6	0.6	0.0%
EBITDA	–10.5	–9.9	–6.1%
Operating loss (EBIT)	–15.3	–15.0	–2.0%
thereof Central Innovation	–5.5	–4.8	–14.6%

[1] Adjusted to reflect the reclassification of the business with gas diffusuion layers to the reporting segment GMS

Sales revenues in the first half year 2020 in the reporting segment Corporate declined by 21% (no currency effect) due to reduced services provided to divested business units (former Business Unit Performance Products resp. PP).

At minus €15.3 million, EBIT in the reporting segment Corporate remained close to the prior year level (H1/2019: minus €15.0 million).

Group business development

Condensed Consolidated Income Statement

	1st Half Year		
€ million	2020	2019	Change
Sales revenue	**456.5**	**561.5**	**–18.7%**
Cost of sales	–362.8	–437.1	17.0%
Gross profit	**93.7**	**124.4**	**–24.7%**
Selling, administrative and R&D expenses	–89.8	–94.9	5.4%
Other operating income/expenses	4.5	2.0	>100%
Result from investments accounted for At-Equity	2.4	6.3	–61.9%
Operating profit (EBIT) before non-recurring items (recurring EBIT)	**10.8**	**37.8**	**–71.4%**
Non-recurring items	–5.1	–4.3	–18.6%
Operating profit (EBIT)	**5.7**	**33.5**	**–83.0%**
EBITDA before non-recurring items	**44.1**	**73.1**	**–39.7%**

Sales revenue of SGL Carbon fell significantly by almost 19% (no currency effect) to €456.5 million (H1/2019: €561.5 million). The decline in sales revenue is attributable to the developments described in the segment reporting. Gross margin decreased to 20.5% (H1/2019: 22.2%) in the reporting period mainly due to lower fixed cost absorption particularly in the reporting segment GMS. Accordingly, gross profit decreased to €93.7 million in the reporting period from €124.4 million in the prior year period. Selling, administrative and R&D costs were adjusted to the weaker business situation and decreased by 5% to €89.8 million (H1/2019: €94.9 million).

Accordingly, recurring EBIT in the reporting period fell by 71% to €10.8 million (H1/2019: €37.8 million).

Non-recurring items of minus €5.1 million in the reporting period mainly comprise additional amortization of identified assets and liabilities from purchase price allocations for the SGL Composites companies. EBIT after non-recurring items decreased from €33.5 million in the first half of 2019 to €5.7 million in the reporting period.

Net financing result

€ million	1st Half Year 2020	2019	Change
Interest income	0.4	1.1	−63.6%
Interest expense	−8.6	−10.4	17.3%
Imputed interest convertible bonds (non-cash)	−1.4	−3.3	57.6%
Imputed interest finance lease (non-cash)	−1.6	−1.8	11.1%
Interest expense on pensions	−2.0	−3.1	35.5%
Interest expense, net	**−13.2**	**−17.5**	**24.6%**
Amortization of refinancing costs (non-cash)	−1.1	−1.1	0.0%
Foreign currency valuation of Group loans (non-cash)	−0.4	−0.2	>-100%
Other financial income/expenses	−1.1	0.1	>-100%
Other financing result	**−2.6**	**−1.2**	**>-100%**
Net financing result	**−15.8**	**−18.7**	**15.5%**

Interest expenses included the cash interest components for the 2019/2024 corporate bond issued in April 2019 with an interest rate of 4.625% and the 2018/2023 convertible bond with an interest rate of 3.0%. The previous year's figure still included the interest expense for the financial liabilities of SGL Composites to the BMW Group and for the 2015/2020 convertible bond (interest rate of 3.5%). The non-cash imputed interest on the convertible bond is recognized in order to adjust the coupon on the convertible bond to comparable interest rates at the time of its issuance.

Due to the absence of interest expenses for the 2015/2020 convertible bond included in the previous year and lower interest expenses for pensions in the current year, the net interest expense for the reporting period improved significantly from minus €17.5 million in the previous year to minus €13.2 million. In contrast, the other financial result deteriorated significantly year-on-year to minus €2.6 million (H1/2019: minus €1.2 million). Main driver of this development was the €0.7 million negative fair market valuation of the redemption option incorporated in the corporate bond, which SGL Carbon may redeem at its discretion in the future. In total, net financial result improved significantly to minus €15.8 million (H1/2019: minus €18.7 million).

Condensed Consolidated Income Statement (continued)

€ million	1st Half Year 2020	2019	Change
Operating loss/profit (EBIT)	**5.7**	**33.5**	**−83.0%**
Net financing result	−15.8	−18.7	15.5%
Result from continuing operations before income taxes	**−10.1**	**14.8**	**>-100%**
Income tax expense	−3.4	−4.3	20.9%
Result from continuing operations	**−13.5**	**10.5**	**>-100%**
Result from discontinued operations, net of income taxes	−0.1	−0.1	0.0%
Net result for the period	**−13.6**	**10.4**	**>-100%**
Attributable to:			
Non-controlling interests	0.2	0.3	33.3%
Consolidated net result (attributable to shareholders of the parent company)	−13.8	10.1	>-100%
Earnings per share - basic and diluted (in €)	−0.11	0.08	>-100%

Result before income taxes and net result

Due to the reduced EBIT, the result from continuing operations before income taxes decreased from €14.8 million in the prior year period to minus €10.1 million in the reporting period. Income tax expense of €3.4 million (H1/19: €4.3 million) was characterized by current tax expenses on the positive earnings contributions of certain group companies

Consolidated net result for the period amounted to minus €13.8 million compared to €10.1 million in the prior year period (after deduction of non-controlling interests in the reporting period of €0.2 million and in the first half 2019 of €0.3 million, respectively).

Balance sheet structure

ASSETS €m	30. Jun. 20	31. Dec. 19	Change
Non-current assets	801.4	820.9	–2.4%
Current assets	659.1	683.9	–3.6%
Total assets	**1,460.5**	**1,504.8**	**–2.9%**
EQUITY AND LIABILITIES €m			
Equity attributable to the shareholders of the parent company	398.0	418.6	–4.9%
Non-controlling interests	10.4	10.3	1.0%
Total equity	**408.4**	**428.9**	**–4.8%**
Non-current liabilities	802.0	796.0	0.8%
Current liabilities	250.1	279.9	–10.6%
Total equity and liabilities	**1,460.5**	**1,504.8**	**–2.9%**

Total assets as of June 30, 2020 of €1,460.5 million decreased slightly by €44.3 million or 3% compared to December 31, 2019 at €1,504.8 million. Currency effects of €4.6 million have marginally contributed to the reduction.

Non-current assets declined, because capital expenditure in property, plant and equipment and intangible assets of €19.9 million in the first half of 2020 was well below the level of depreciation and amortization of €38.7 million (including amortization of €5.4 million from purchase price allocation). Due to the measures taken to limit working capital as well as due to the Corona-related lower business development, current assets also fell by €24.8 million. This is mainly the result of the reduction in trade receivables and contract assets by €27.2 million and other receivables and other assets by €7.2 million. Thanks to the positive free cash flow, total liquidity increased by €16.8 million to €153.9 million.

The slight increase in non-current liabilities of €6.0 million is essentially due to the acquisition of a building that was previously leased and thus recorded in current leasing liabilities in the prior year. Pension provisions changed only marginally, as the interest rate expectations in Germany, which had risen in the interim, have returned to the interest rate level at the end of 2019. The significant reduction in current liabilities resulted in particular from the reduction in trade payables by €29.4 million as well as the repayment of leasing liabilities of €6.7 million following the acquisition of a building.

Working Capital

€ million	30. Jun. 20	31. Dec. 19	Change
Inventories	299.2	306.4	–2.3%
Trade accounts receivable and contract assets	181.9	209.1	–13.0%
Trade payables	–79.3	–108.7	27.0%
Working Capital	**401.8**	**406.8**	**–1.2%**

Working capital decreased by €5.0 million to €401.8 million as of June 30, 2020. The decrease results on one hand from the reduction of the reported trade receivables and contract assets by €27.2 million as well as of inventories by €7.2 million. On the other hand, trade payables reduced by €29.4 million.

Change in equity

As of June 30, 2020, equity attributable to the shareholders of the parent company decreased by €20.6 million to €398.0 million (December 31, 2019: €418.6 million). The decrease is mainly attributable to the consolidated net result of minus €13.8 million. Negative foreign currency changes of €4.3 million have contributed to the decrease. Overall, the equity ratio decreased only slightly to 27.3% as of June 30, 2020 (27.8% as of December 31, 2019), due to the lower total assets.

Net financial debt

€ million	30. Jun. 20	31. Dec. 19	Change
Carrying amount of current and non-current financial liabilities	414.2	407.6	1.6%
Remaining imputed interest for the convertible bonds	9.4	10.7	–12.1%
Accrued refinancing cost	6.5	7.3	–11.0%
Total financial debt (nominal amount)	**430.1**	**425.6**	**1.1%**
Liquidity	153.9	137.1	12.3%
Net financial debt	**276.2**	**288.5**	**–4.3%**

Financial debt mainly includes the corporate bond 2019/2024 of €250.0 million, the convertible bond 2018/2023 of €159.3 million, liabilities to banks of €20.8 million (December 31, 2019: €16.3 million) and the netted amounts of the remaining imputed interest components as well as the refinancing costs.

As of June 30, 2020, net financial debt decreased by €12.3 million to €276.2 million. This development is primarily attributable to the positive free cash flow from continuing operations of €26.6 million less the repayments for lease liabilities of €11.6 million and the payments for discontinued operations of €2.3 million.

Free cash flow

	1st Half Year	
€ million	2020	2019
Cash flow from operating activities		
Result from continuing operations before income taxes	–10.1	14.8
Depreciation/amortization expense	38.7	40.8
Changes in working capital	–1.6	–22.7
Miscellaneous items	13.8	–17.5
Cash flow from operating activities	**40.8**	**15.4**
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant & equipment	–19.9	–33.6
Proceeds from the sale of intangible assets and property, plant & equipment	0.7	2.4
Dividend payments from investments accounted for At-Equity	5.0	6.0
Payments received for divestitures	-	0.6
Cash flow from investing activities - continuing operations	**–14.2**	**–24.6**
Cash flow from investing activities - discontinued operations	–2.3	–9.9
Cash flow from investing activities - continuing and discontinued operations	**–16.5**	**–34.5**
Free cash flow [1] - continuing operations	*26.6*	*–9.2*
Free cash flow [1] - discontinued operations	*–2.3*	*–9.9*

[1] Defined as cash flow from operating activities minus cash flow from investing activities

Cash flow from operating activities in the first half of 2020 improved significantly by €25.4 million to €40.8 million, in particular because, in contrast to previous years, there was no significant increase in working capital in the first half year. In addition, cash flow from investing activities improved from minus €24.6 million in the prior year period to minus €14.2 million in the reporting period, mainly because of lower capital expenditure in intangible assets and property, plant & equipment, which decreased significantly in the reporting period by almost 40% to €19.9 million (H1/2019: €33.6 million). The first half 2020 included cash inflows from a dividend payment from the joint venture with Brembo of €5.0 million (prior year period: €6.0 million)

As a result of the above effects, free cash flow from continuing operations improved significantly to €26.6 million in the reporting period (H1/2019: minus €9.2 million).

Free cash flow from discontinued operations also improved significantly to minus €2.3 million in the reporting period after minus €9.9 million in the prior year period. In the reporting period, the figure primarily includes a tax payment for prior years for the former business unit PP, while the prior year figure includes a settlement payment to the acquirer of the Aerostructures business.

Employees

The following tables provide information on the headcount development according to reporting segments and to geographic regions:

Headcount	30. Jun. 20	31. Dec. 19	Change
Composites - Fibers & Materials	1,638	1,698	–3.5%
Graphite Materials & Systems	3,143	3,141	0.1%
Corporate	254	288	–11.8%
Total SGL Carbon	**5,035**	**5,127**	**–1.8%**

Headcount	30. Jun. 20	31. Dec. 19	Change
Germany	2,330	2,341	–0.5%
Europe excluding Germany	1,400	1,461	–4.2%
USA	785	829	–5.3%
Asia	520	496	4.8%
Total SGL Carbon	**5,035**	**5,127**	**–1.8%**

The reduction in the number of employees in the Corporate reporting segment is due to the lower level of services to the divested PP business unit.

Opportunities and Risks

Regarding existing opportunities and risks, we refer to the detailed statements in the annual report for the financial year ended December 31, 2019.

In the annual report we had already referred to the risks arising from possible effects from the corona virus on the economic environment. The global economy has shrunk significantly in recent months as a result of the pandemic that has been spreading since mid-March, the accompanying lockdowns and weaker consumer spending. The effects of this development are reflected in the reinstated guidance. This, too, is still subject to a high degree of uncertainty, as the extent and duration of the effects of the pandemic on the global economy and thus on the business activities of SGL Carbon cannot be fully assessed.

In the reporting segment Composites – Fibers & Materials (CFM), opportunities and risks depend largely on the development of sales volumes. Business in the Industrial Applications and Automotive market segments in particular is increasingly affected by volume risks due to the decline in demand caused by Covid-19 and uncertainties in our customer industries, which may have a negative impact on earnings. The opportunity and risk profile can therefore be regarded as high.

In the reporting segment Graphite Materials & Systems (GMS), we see the opportunity and risk profile, particularly in terms of price and volume development, at a medium level. Here, the development of demand in the market segments Industrial Applications, Chemicals and Automotive & Transport has to be monitored carefully. Since GMS is characterized by a relatively high portion of fixed costs, there is also a particular risk, that cost structures cannot be fully adjusted to the lower demand or only with a time lag. This can temporarily have a significant negative impact on the financial performance.

If the reporting segments CFM and GMS do not develop as planned in the long term, there is an increased risk of impairment of the reported carrying amounts.

Furthermore, the business risks described above may have a negative impact on the financial position. A possible increase in our working capital, e.g. because the production pipeline has to be filled in case of a demand recovery, would also have an initially negative impact here. With liquidity of more than €150 million at the end of the first half of 2020, we consider ourselves well positioned in the current environment. In addition, we continue to have access to the syndicated loan, which is still undrawn.

On the basis of the information currently available, it is our opinion that no individual material risks exist – neither presently nor in the foreseeable future – that could jeopardize the business as a going concern. Even if the individual risks are viewed on an aggregate basis, they do not threaten SGL Carbon as a going concern.

Outlook

Financial targets for the reporting segments

€m	KPI	Actuals 2019	Outlook 2020[1]
CFM	Sales revenue	431.6	Decline of approx. 10%
	Operating EBIT[2][3]	-8.3	Close to break-even
GMS	Sales revenue	622.5	Decline by approx. 20%
	Operating EBIT[2][3]	85.5	Decline by at least 50%
Corporate	Operating EBIT[2][3]	-28.8	Significant decline

[1] "significant" indicates a variation of more than 10%
[2] before non-recurring items
[3] before positive one-time effects

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 we now anticipate sales revenues to decline by approximately 10%. Declining sales in the market segment Textile Fibers, which is mainly the result of our 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 our guidance given before the Corona pandemic outbreak, when we 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 we now anticipate close to a break-even result, which is not far from our March 2020 guidance (Turnaround and slightly positive EBIT), because we expect 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 we now expect sales revenues to decline by approximately 20% 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 our 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. We also have 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% and therefore substantially more than planned in March (20% decline) based on the reduced sales revenue expectations and the resulting significantly lower capacity utilization.

In the reporting segment Corporate we continue 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 PP-activities.

Group financial targets

€m	Actuals 2019	Outlook 2020
Sales revenue	1,086.7	Decline by 15% to 20%
Operating EBIT [1) 2)]	48.4	Slightly positive result
Consolidated net result - continuing operations	-89.9	Negative low double-digit €m amount
Net financial debt	288.5	Mid double-digit €m increase

[1)] before non-recurring items
[2)] before positive one-time effects

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

As already communicated since the beginning of this year, we have been working on various additional funding options independent from the capital markets. Some of these measures have been successfully completed or substantially advanced since the balance sheet date. These will increase Group recurring EBIT in a low double-digit million € 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 € amount) despite a lower operating Group recurring 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 approx. €60 million (Guidance in March 2020: €70-80 million) 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, we have invested into the conversion of another textile acrylic fiber line to PAN-precursor to supply our carbon fiber production. At 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 € 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 our 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 continues to remain available and undrawn.

Wiesbaden, August 13, 2020

SGL Carbon SE

The Board of Management

Condensed Consolidated Interim Financial Statements

(unaudited)

Consolidated Income Statement

	2nd Quarter			1st Half Year		
€ million	2020	2019	Change	2020	2019	Change
Sales revenue	**209.7**	**272.7**	**−23.1%**	**456.5**	**561.5**	**−18.7%**
Cost of sales	−169.5	−212.3	20.2%	−367.9	−441.4	16.7%
Gross profit	**40.2**	**60.4**	**−33.4%**	**88.6**	**120.1**	**−26.2%**
Selling expenses	−23.8	−26.9	11.5%	−48.8	−53.6	9.0%
Research and development costs	−8.1	−7.7	−5.2%	−18.0	−17.5	−2.9%
General and administrative expenses	−12.5	−11.6	−7.8%	−23.0	−23.8	3.4%
Other operating income	2.4	3.5	−31.4%	6.4	6.8	−5.9%
Other operating expenses	−0.5	−3.0	83.3%	−1.9	−4.8	60.4%
Result from investments accounted for At-Equity	1.6	2.7	−40.7%	2.4	6.3	−61.9%
Restructuring expenses	0.0	−0.2	100.0%	0.0	0.0	-
Operating loss/profit	**−0.7**	**17.2**	**>-100%**	**5.7**	**33.5**	**−83.0%**
Interest income	0.2	0.5	−60.0%	0.4	1.1	−63.6%
Interest expense	−6.7	−10.9	38.5%	−13.6	−18.6	26.9%
Other financing result	0.1	−2.1	>100%	−2.6	−1.2	>-100%
Result from continuing operations before income taxes	**−7.1**	**4.7**	**>-100%**	**−10.1**	**14.8**	**>-100%**
Income tax expense	−2.2	−3.2	31.3%	−3.4	−4.3	20.9%
Result from continuing operations	**−9.3**	**1.5**	**>-100%**	**−13.5**	**10.5**	**>-100%**
Result from discontinued operations, net of income taxes	−0.1	−0.1	0.0%	−0.1	−0.1	0.0%
Net result for the period	**−9.4**	**1.4**	**>-100%**	**−13.6**	**10.4**	**>-100%**
Thereof attributable to:						
Non-controlling interests	0.1	0.2	50.0%	0.2	0.3	33.3%
Consolidated net result (attributable to shareholders of the parent company)	−9.5	1.2	>-100%	−13.8	10.1	>-100%
Earnings per share, basic and diluted, (in€)	−0.07	0.01	>-100%	−0.11	0.08	>-100%

Consolidated Statement of Comprehensive Income

€ million	2nd Quarter 2020	2nd Quarter 2019	1st Half Year 2020	1st Half Year 2019
Net result for the period	**–9.4**	**1.4**	**–13.6**	**10.4**
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges [1]	0.0	0.2	0.0	0.3
Currency translation[2]	–8.1	–7.8	–4.4	2.2
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains/losses on pensions and similar obligations [3]	–27.7	–21.9	–2.5	–38.2
Other comprehensive income	**–35.8**	**–29.5**	**–6.9**	**–35.7**
Comprehensive income	**–45.2**	**–28.1**	**–20.5**	**–25.3**
Thereof attributable to:				
Non-controlling interests	0.1	0.1	0.1	0.2
Consolidated net result (attributable to shareholders of the parent company)	–45.3	–28.2	–20.6	–25.5

[1] Includes tax effects of €0.0 million in the first half year of 2020 and 2019
[2] Includes tax effects of €0.0 million in the first half year of 2020 and 2019
[3] Includes tax effects of €0.0 million in the first half year of 2020 and 2019

Consolidated Balance Sheet

ASSETS €m	30. Jun. 20	31. Dec. 19	Change
Non-current assets			
Goodwill	41.7	41.7	0.0%
Other intangible assets	38.4	45.0	−14.7%
Property, plant and equipment	658.1	669.6	−1.7%
Investments accounted for At-Equity	54.1	56.7	−4.6%
Other non-current assets	7.3	7.0	4.3%
Deferred tax assets	1.8	0.9	100.0%
	801.4	**820.9**	**−2.4%**
Current assets			
Inventories	299.2	306.4	−2.3%
Trade receivables and contract assets	181.9	209.1	−13.0%
Other receivables and other assets	24.1	31.3	−23.0%
Liquidity	153.9	137.1	12.3%
Time deposits	*4.0*	*4.0*	-
Cash and cash equivalents	*149.9*	*133.1*	*12.6%*
	659.1	**683.9**	**−3.6%**
Total assets	**1,460.5**	**1,504.8**	**−2.9%**

EQUITY AND LIABILITIES €m	30. Jun. 20	31. Dec. 19	Change
Equity			
Issued capital	313.2	313.2	0.0%
Capital reserves	1,041.6	1,041.6	0.0%
Accumulated losses	−956.8	−936.2	−2.2%
Equity attributable to the shareholders of the parent company	**398.0**	**418.6**	**−4.9%**
Non-controlling interests	10.4	10.3	1.0%
Total equity	**408.4**	**428.9**	**−4.8%**
Non-current liabilities			
Provisions for pensions and similar employee benefits	319.7	318.7	0.3%
Other provisions	33.4	31.4	6.4%
Interest-bearing loans	410.5	404.4	1.5%
Other financial liabilities	31.2	34.2	−8.8%
Other liabilities	5.2	5.3	−1.9%
Deferred tax liabilities	2.0	2.0	0.0%
	802.0	**796.0**	**0.8%**
Current liabilities			
Other provisions	68.9	67.1	2.7%
Current portion of interest-bearing loans	3.7	3.2	15.6%
Trade payables	79.3	108.7	−27.0%
Other financial liabilities	68.6	73.4	−6.5%
Other liabilities	29.6	27.5	7.6%
	250.1	**279.9**	**−10.6%**
Total equity and liabilities	**1,460.5**	**1,504.8**	**−2.9%**

Consolidated Cash Flow Statement

€ million	1st Half Year 2020	2019
Cash flow from operating activities		
Result from continuing operations before income taxes	−10.1	14.8
Adjustments to reconcile the result to cash flow from operating activities:		
Interest expense (net)	13.2	17.5
Change in value of contract assets (IFRS 15)	4.9	−3.5
Depreciation/amortization expense	38.7	40.8
Result from investments accounted for At-Equity	−2.4	−6.3
Amortization of refinancing costs	1.1	1.1
Interest received	0.4	1.5
Interest paid	−9.7	−8.4
Income taxes paid	−1.9	−1.7
Changes in provisions, net	0.7	−12.1
Changes in working capital		
Inventories	10.9	−14.5
Trade receivables and contract assets	16.1	−13.7
Trade payables	−28.6	5.5
Changes in other operating assets/liabilities	7.5	−5.6
Cash flow from operating activities	**40.8**	**15.4**

€ million	1st Half Year 2020	2019
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant & equipment	–19.9	–33.6
Proceeds from the sale of intangible assets and property, plant & equipment	0.7	2.4
Dividend payments from investments accounted for At-Equity	5.0	6.0
Payments received for divestitures	-	0.6
Cash flow from investing activities - continuing operations	**–14.2**	**–24.6**
Changes in time deposits	-	58.1
Change in restricted liquidity	-	–176.8
Cash flow from investing and cash management activities - continuing operations	**–14.2**	**–143.3**
Cash flow from investing activities and cash management activities - discontinued operations	–2.3	–9.9
Cash flow from investing activities and cash management activities - continuing and discontinued operations	**–16.5**	**–153.2**
Cash flow from financing activities		
Proceeds from issuance of financial liabilities	6.7	257.4
Repayment of financial liabilities	–2.2	–88.6
Payments in connection with financing activities	-	–5.1
Payments for the redemption portion of lease liabilities	–11.6	–4.2
Other financing activities	-	–0.3
Cash flow from financing activities	**–7.1**	**159.2**
Effect of foreign exchange rate changes	–0.4	0.1
Net change in cash and cash equivalents	**16.8**	**21.5**
Cash and cash equivalents at beginning of period	133.1	122.5
Cash and cash equivalents at end of period	149.9	144.0
Time deposits at end of period	4.0	0.0
Liquidity	**153.9**	**144.0**

Condensed Consolidated Statement of Changes in Equity

€ million	1st Half Year 20 Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
Balance as of December 31	**418.6**	**10.3**	**428.9**
Net result for the period	−13.8	0.2	−13.6
Other comprehensive income	−6.8	−0.1	−6.9
Comprehensive income	**−20.6**	**0.1**	**−20.5**
Balance as of June 30	**398.0**	**10.4**	**408.4**

€ million	1st Half Year 19 Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
Balance as of December 31	**531.6**	**10.7**	**542.3**
Cumulative adjustment on initial application of IFRS 16	0.1	-	0.1
Balance as of January 1	**531.7**	**10.7**	**542.4**
Dividends	**0.0**	**−0.3**	**−0.3**
Net result for the period	10.1	0.3	10.4
Other comprehensive income	−35.6	−0.1	−35.7
Comprehensive income	**−25.5**	**0.2**	**−25.3**
Other changes in equity	-	−0.6	−0.6
Balance as of June 30	**506.2**	**10.0**	**516.2**

Notes to the Condensed Consolidated Interim Financial Statements

Description of business

SGL Carbon SE, located at Söhnleinstrasse 8, Wiesbaden (Germany), together with its subsidiaries (the Company or SGL Carbon) is a global manufacturer of products and solutions based on carbon fibers and specialty graphites.

Basis of preparation

The Condensed Consolidated Interim Financial Statements of SGL Carbon have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial reporting (IAS 34) as issued by the International Accounting Standards Board and as adopted by the European Union (EU) and should be read in conjunction with the SGL Carbon Consolidated Financial Statements as of December 31, 2019. The Condensed Consolidated Interim Financial Statements as of June 30, 2020, apply the same accounting principles and practices as well as the same estimates and assumptions as those used in the 2019 annual financial statements.

In the six months ended June 30, 2020, SGL Carbon's business and economic environment is adversely affected by the pandemic coronavirus spread. In the June 30, 2020, Condensed Consolidated Interim Financial Statements, the Company based financial statement related estimates and assumptions on existing knowledge and best information available and applied a scenario assuming the current coronavirus situation is of no long-term duration. The emerging recovery in the Asian region and the extensive stimulus programs of various governments are important indicators.

Estimates and assumptions undergo regular review and must be adjusted where appropriate.

Actual events may result in deviations from these estimates. This applies in particular to the background of the coronavirus pandemic, which is causing distortions in global supply chains and markets. Developments in the wake of the pandemic are dynamic, so it cannot be ruled out that the actual results deviate significantly from the estimates and assumptions made in the preparation of these Condensed Consolidated Interim Financial Statements, or that the estimates and assumptions made will have to be adjusted in future periods and this will have a significant impact on SGL Carbon's financial position, results of operations and cash flows. Areas that contain estimates and assumptions and are therefore most likely to be affected if the actual results deviate from the estimates and assumptions, or if the estimates and assumptions made need to be adjusted in future periods, are explained in more details in note 2 to the Consolidated Financial Statements 2019. All assumptions and estimates are based on the circumstances and assessments as of the balance sheet date, and taking into account knowledge gained up to the approval by the Board of Management of the Condensed Consolidated Interim Financial Statements on August 13, 2020.

The Condensed Consolidated Interim Financial Statements and interim group management report have not been audited, neither have they been subject to an auditor's review.

Other disclosures

Impairment tests

The changed economic situation resulting from the measures taken by governments to stabilize the healthcare systems in light of the Covid-19 pandemic, has triggered SGL Carbon to review whether there are indicators for an impairment of property, plant and equipment, goodwill and other intangible assets (impairment test). In this respect, both external indicators (decreased market capitalization due to a fall in the stock market price) and internal indicators (temporary plant closures, reduced sales opportunities) were considered. Accordingly, interim impairment tests were carried out for all cash-generating units as of March 31, 2020. Given that the Board generally assumes that the negative impacts of the COVID-19-pandemic will not affect the medium and long-term business plan, the forecast and cash flows for 2020 were updated using different calculation scenarios and an expected value was derived. The recoverable amount of the cash-generating units was determined on the basis of their value in use (hierarchy level 3). The calculation was made by adjusting the discount rates (WACC) and cash flows. The rates relevant for the discounting of cash flows (after taxes) lay between 7.2% and 8.3% (prior year: 6.5% and 8.1%). In line with the above outlined basic assumption, the long-term growth-rate of 1.0% (prior year: 1.0%) remained unchanged. The impairment tests carried out confirmed that none of the assets were impaired.

If the current prediction for future business performance does not materialize, there is a risk that non-current assets will be impaired. Economic stimulus programs announced by central banks and governments may not be sufficient to compensate for the negative economic impact of the pandemic. If the negative effects of the COVID-19 pandemic on the global economy become more severe and/or persist for a longer period of time, this may have a clear adverse effect on our business. For further information, see Opportunity and Risks in the Interim Group Management Report.

Provisions for pensions and similar employee benefits

During the reporting period, SGL Carbon adjusted the pension discount rate in Germany and the US by 0.10%-points and minus 0.40%-points, respectively, as a consequence of changed long-term interest rate levels. As of June 30, 2020, the discount rates are 1.20% in Germany (Dec 31, 2019: 1.10%) and 2.80% in USA (Dec 31, 2019: 3.20%). The discount rate adjustment and the revaluation of the plan assets resulted in actuarial losses of €2.5 million (without tax effect) which have been included in other comprehensive income, thereby decreasing equity in their full amount.

Investments accounted for At-Equity

The main joint venture accounted for At-Equity is Brembo SGL Carbon Ceramic Brakes S.p.A (Ceramic Brake Discs), Stezzano, Italy (BSCCB), which is operated together with Brembo and produces and further develops carbon ceramic brake discs. The share of SGL Carbon in the net assets and the share in the net result of the period are allocated to the segment CFM. The table below provides the result of operations and the financial position of BSCCB, as reported in its financial statements (taking into account IFRS 15 effects).

	1st Half Year	
€ million	2020	2019
Ownership interest	50%	50%
Income statement		
Sales revenue (100%)	63.9	84.7
Operating loss/profit	5.3	16.7
Net financing result	–0.3	–0.2
Net result for the period (100%)	3.5	11.8
Share of SGL Carbon in the net result for the period (50%)	1.8	5.9
Balance Sheet	30. Jun. 20	31. Dec. 19
Non-current assets	68.4	70.3
Current assets	63.3	69.8
Thereof cash and cash equivalents	*7.6*	*25.6*
Non-current liabilities	25.0	24.6
Thereof financial liabilities	*14.7*	*15.4*
Current liabilities	28.0	30.5
Thereof financial liabilities	*2.1*	*15.4*
Net assets (100%)	**78.7**	**85.0**
Share of SGL Carbon in the net assets (50%)	39.4	42.5
Goodwill/customer base	3.6	3.6
Carrying amount of material joint ventures	**43.0**	**46.1**

The carrying amount of remaining investments accounted for At-Equity was €11.1 million (Dec. 31, 2019: €10.5 million) and their contribution to the result from investments accounted for At-Equity during the first half of 2020 was €0.6 million (H1/2019: €0.4 million).

Additional disclosures on financial instruments

The following table assigns the individual balance sheet items for the financial instruments to classes and measurement categories:

€ million	Measurement category under IFRS 9	Carrying amount at Jun. 30, 20	Carrying amount at Dec. 31, 19
Financial assets			
Cash and cash equivalents	1)	149.9	133.1
Time deposits	1)	4.0	4.0
Trade receivables and contract assets	1)	177.3	207.0
Trade accounts receivable (Factoring-agreements)	2)	4.6	2.1
Marketable securities and similar investments	2)	4.6	4.9
Derivative financial assets: Derivatives without a hedging relationship	3)	0.0	0.8
Derivative financial assets: Derivatives with a hedging relationship	n.a.	-	0.0
Financial liabilities			
Corporate bond	4)	250.0	250.0
Convertible bonds	4)	149.9	148.6
Bank loans, overdrafts and other financial liabilities	4)	20.8	16.3
Refinancing costs	4)	–6.5	–7.3
Lease liabilities	n.a.	40.3	48.9
Trade payables	4)	79.3	108.7
Miscellaneous other financial liabilities	4)	59.5	58.7
Derivative financial liabilities: Derivatives without a hedging relationship	5)	-	0.0
Derivative financial liabilities: Derivatives with hedging relationship	n.a.	-	0.0
Thereof aggregated by measurement category in accordance with IFRS 9			
1) Financial assets measured at amortized costs		331.2	344.1
2) Financial assets measured at fair value through profit and loss		9.2	7.0
3) Other financial assets measured at fair value through profit and loss		0.0	0.8
4) Financial liabilities measured at amortized costs		553.0	575.0
5) Financial liabilities measured at fair value through profit and loss		-	0.0

The following table shows the breakdown of the assets and liabilities measured at fair value into the three levels of fair value hierarchy in accordance with IFRS 13:

	30. Jun. 20			
€ million	Level1	Level2	Level3	Total
Marketable securities and similar investments	4.6			4.6
Trade accounts receivable (Factoring-agreement)			4.6	4.6
Derivative financial assets		0.0		0.0
Derivative financial liabilities		-		-

	31. Dec. 19			
€ million	Level1	Level2	Level3	Total
Marketable securities and similar investments	4.9			4.9
Trade accounts receivable (Factoring-agreement)			2.1	2.1
Derivative financial assets		0.8		0.8
Derivative financial liabilities		-		-

As of June 30, 2020, the market value of the exchange listed corporate bond was €196.4 million (conforms to level 1 of the fair value hierarchy of IFRS 13) (December 31, 2019: €245.7 million.

The fair market value of the convertible bond 2018/2023 as of June 30, 2020, was €102.7 million (December 31, 2019: €133.2 million). As the fair value is derived from quoted prices in active markets, these financial instruments are allocated to Level 1.

Receivables management
Factoring concluded in the reporting period reduced the carrying amount of trade receivables. The volume of sales of receivables on the balance sheet date was €27.2 million (31. December 2019: €17.1 million).

Impairment of trade accounts receivable and contract assets
Credit insurers expect the coronavirus pandemic to result in an increased number of insolvencies and higher country risks. SGL Carbon calculated the increased risk of default and the expected credit losses of trade receivables that are not covered by the trade credit insurance, and recorded an impairment loss of €1.1 million. In order to reduce the risk of default, SGL Carbon increased the rate of credit insured trade receivables. Developments in the wake of the coronavirus pandemic are very dynamic, so it cannot be ruled out that the actual expected credit losses deviate significantly from the expected credit losses recognized based on current estimates and assumptions.

Seasonality of operations

Customer order patterns within the segments CFM and GMS primarily follow overall global trends (e. g. for lightweight materials) and depend on the availability in connection with the pricing of such materials. The overall economic environment is usually a first indicator for any developments in the customers' demand. In addition, individual large projects can significantly impact the business development and overlap regular seasonality.

Other additional information

Issued capital remained unchanged to December 31, 2019 at €313.2 million as of June 30, 2020 and is divided into 122,341,478 no-par value ordinary bearer shares at €2.56 per share. During the first half of 2020, no new shares were issued from the authorized capital. As of June 30, 2020, there were 1,335,397 Stock Appreciation Rights (SARs) outstanding. SGL Carbon SE held a total of 70,501 of its own shares (treasury shares) as of June 30, 2020. Based on an average number of 122.3 million shares, basic earnings per share amounted to minus €0.11 (H1/2019: €0.08).

The calculation of diluted earnings per share assumes the conversion of outstanding debt securities (convertible bonds) to shares or exercise of other contracts for the issue of common shares such as stock appreciation rights. As a result of the loss-making situation, the above mentioned potentially dilutive financial instruments were not taken into account in the calculation of diluted earnings per share, since these instruments would not have a dilutive effect. Accordingly, EPS diluted is unchanged and amounts to minus €0.11 (H1/2019: €0.08).

Segment information

€ million	CFM	GMS	Corporate	Consolidation adjustments	SGL Carbon
1st Half Year 2020					
External sales revenue	185.7	258.0	12.8	0.0	456.5
Intersegment sales revenue	2.7	0.7	15.2	–18.6	0.0
Total sales revenue	**188.4**	**258.7**	**28.0**	**–18.6**	**456.5**
Timing of revenue recognition					
Products transferred at point in time	183.5	271.6	12.8	0.0	467.9
Products and services transferred over time	2.2	–13.6	0.0	0.0	–11.4
Total sales revenue	185.7	258.0	12.8	0.0	456.5
Sales revenue by customer industry					
Mobility	92.2	24.7	4.6	0.0	121.5
Energy	33.8	46.9	-	0.0	80.7
Industrial Applications	30.1	79.6	8.2	0.0	117.9
Chemicals	-	58.5	-	0.0	58.5
Digitization	-	48.3	-	0.0	48.3
Textile Fibers	29.6	-	-	0.0	29.6
Total sales revenue	185.7	258.0	12.8	0.0	456.5
Operating profit (EBIT) before non-recurring items (recurring EBIT)	1.8	24.3	–15.3	0.0	10.8
Non-recurring items [1]	–5.1	0.0	0.0	0.0	–5.1
Operating profit/loss (EBIT)	–3.3	24.3	–15.3	0.0	5.7
Capital expenditures [2]	6.6	11.5	1.8	0.0	19.9
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items	16.0	38.6	–10.5	0.0	44.1
Amortization/depreciation on intangible assets and property, plant and equipment before non-recurring items	14.2	14.3	4.8	0.0	33.3
Working Capital [3]	168.4	259.2	–25.8	0.0	401.8

Sales revenue with one customer of the reporting segment CFM amount to approx. €47 million of total SGL Carbon sales revenue (H1/2019: €64 million).

€ million	CFM	GMS[4]	Corporate[4]	Consolidation adjustments	SGL Carbon
1st Half Year 2019					
External sales revenue	219.4	325.8	16.3	0.0	561.5
Intersegment sales revenue	1.9	0.1	16.4	−18.4	0.0
Total sales revenue	**221.3**	**325.9**	**32.7**	**−18.4**	**561.5**
Timing of revenue recognition					
Products transferred at point in time	217.4	319.1	16.3	0.0	552.8
Products and services transferred over time	2.0	6.7	-	0.0	8.7
Total sales revenue	**219.4**	**325.8**	**16.3**	**0.0**	**561.5**
Sales revenue by customer industry					
Mobility	121.4	29.8	3.9	0.0	155.1
Energy	16.0	81.7	0.0	0.0	97.7
Industrial Applications	32.0	96.1	12.4	0.0	140.5
Chemicals	-	73.6	-	0.0	73.6
Digitization	-	44.6	-	0.0	44.6
Textile Fibers	50.0	-	-	0.0	50.0
Total sales revenue	**219.4**	**325.8**	**16.3**	**0.0**	**561.5**
Operating profit/loss (EBIT) before non-recurring items (recurring EBIT)	2.8	50.0	−15.0	0.0	37.8
Non-recurring items [1]	−4.3	0.0	0.0	0.0	−4.3
Operating profit/loss (EBIT)	−1.5	50.0	−15.0	0.0	33.5
Capital expenditures [2]	11.1	17.2	5.3	0.0	33.6
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items	19.9	63.1	−9.9	0.0	73.1
Amortization/depreciation on intangible assets and property, plant and equipment	17.1	13.1	5.1	0.0	35.3
Working Capital (31.12.) [3]	157.0	269.7	−19.9	0.0	406.8

[1] Non-recurring items comprise the carryforward of hidden reserves realized as part of the purchase price allocation of SGL Composites DE and US as well as SGL Composites AT totaling minus €5.1 million (H1/19: minus €4.3 million)
[2] Defined as total of capital expenditure in other intangible assets and property, plant and equipment
[3] Defined as sum of inventories, trade receivables and contract assets less trade payables
[4] Adjusted to reflect the reclassification of the business with gas diffusuion layers for fuel cells from Corporate to the reporting segment GMS

Subsequent events

Following the decision by the Japanese company Showa Denko to discontinue the graphite electrode production site in Meitingen, SGL Carbon und Showa Denko have agreed in July 2020 to amend, adjust and/or terminate all existing contractual relationships by mutual consent for a settlement payment in a low double digit € million amount to be made by Showa Denko to SGL Carbon. The amount shall be paid in two tranches (Nov. 2020/Feb. 2021). Showa Denko had acquired the graphite electrode business from SGL Carbon in the year 2017. As the site operator, SGL Carbon had entered into a number of contracts (in addition to the rental contract regarding land and buildings), including service agreements, service level agreements and supply relationships. At present, SGL Carbon's assessment is that the major portion of the settlement amount will be recognized in profit and loss during the third quarter 2020.

Wiesbaden, August 13, 2020

SGL Carbon SE

The Board of Management

Dr. Torsten Derr

Dr. Michael Majerus

Dr. Stephan Bühler

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Wiesbaden, August 13, 2020

SGL Carbon SE

The Board of Management

Other Information

Sales Revenue and Operating Profit/Loss by Reporting Segment

	1st Half Year		
€ million	2020	2019 [1]	Change
Sales revenue			
Composites - Fibers & Materials	185.7	219.4	–15.4%
Graphite Materials & Systems	258.0	325.8	–20.8%
Corporate	12.8	16.3	–21.5%
SGL Carbon	**456.5**	**561.5**	**–18.7%**

	1st Half Year		
€ million	2020	2019 [1]	Change
EBIT before non-recurring items (recurring EBIT) [2]			
Composites - Fibers & Materials	1.8	2.8	–35.7%
Graphite Materials & Systems	24.3	50.0	–51.4%
Corporate	–15.3	–15.0	–2.0%
SGL Carbon	**10.8**	**37.8**	**–71.4%**

[1] Adjusted to reflect the reclassification of the business with gas diffusuion layers for fuel cells from Corporate to the reporting segment GMS
[2] Non-recurring items of minus €5.1 million and minus €4.3 million in the first half year of 2020 and 2019, respectively

Quarterly Sales Revenue, Operating Profit/Loss (EBIT) by Reporting Segment

	2019 [1]					2020		
€ million	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	1st Half
Sales revenue								
Composites - Fibers & Materials	115.0	104.4	109.2	103.0	431.6	104.5	81.2	185.7
Graphite Materials & Systems	166.4	159.4	154.3	142.4	622.5	134.6	123.4	258.0
Corporate	7.4	8.9	7.4	8.9	32.6	7.7	5.1	12.8
SGL Carbon	**288.8**	**272.7**	**270.9**	**254.3**	**1,086.7**	**246.8**	**209.7**	**456.5**

	2019 [1]					2020		
€ million	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	1st Half
EBIT before non-recurring items (recurring EBIT) [2]								
Composites - Fibers & Materials	0.4	2.4	–4.6	–6.5	–8.3	3.7	–1.9	1.8
Graphite Materials & Systems	26.5	23.5	24.5	11.0	85.5	11.9	12.4	24.3
Corporate	–8.2	–6.8	–3.5	–10.3	–28.8	–6.6	–8.7	–15.3
SGL Carbon	**18.7**	**19.1**	**16.4**	**–5.8**	**48.4**	**9.0**	**1.8**	**10.8**

[1] Adjusted to reflect the reclassification of the business with gas diffusuion layers for fuel cells from Corporate to the reporting segment GMS
[2] Non-recurring items of minus €82.7 million in 2019 and minus €5.1 million in the first half year 2020

Quarterly Consolidated Income Statement

					2019			2020
€ million	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	1st Half
Sales revenue	**288.8**	**272.7**	**270.9**	**254.3**	**1,086.7**	**246.8**	**209.7**	**456.5**
Cost of sales	–226.5	–210.6	–217.1	–216.0	–870.2	–195.8	–167.0	–362.8
Gross profit	**62.3**	**62.1**	**53.8**	**38.3**	**216.5**	**51.0**	**42.7**	**93.7**
Selling, administrative, R&D and other operating income/expense	–47.2	–45.7	–41.4	–49.2	–183.5	–42.8	–42.5	–85.3
Result from investments accounted for At-Equity	3.6	2.7	4.0	5.1	15.4	0.8	1.6	2.4
Operating profit (EBIT) before non-recurring items (recurring EBIT)	**18.7**	**19.1**	**16.4**	**–5.8**	**48.4**	**9.0**	**1.8**	**10.8**
Impairment loss/Effects from purchase price allocations	–2.6	–1.7	–76.9	–2.2	–83.4	–2.6	–2.5	–5.1
Restructuring expenses	0.2	–0.2	0.2	0.5	0.7	0.0	0.0	0.0
Operating profit/loss (EBIT)	**16.3**	**17.2**	**–60.3**	**–7.5**	**–34.3**	**6.4**	**–0.7**	**5.7**
Net financing result	–6.2	–12.5	–13.9	–6.3	–38.9	–9.4	–6.4	–15.8
Result from continuing operations before income taxes	**10.1**	**4.7**	**–74.2**	**–13.8**	**–73.2**	**–3.0**	**–7.1**	**–10.1**
Income tax expense	–1.1	–3.2	–10.4	–1.5	–16.2	–1.2	–2.2	–3.4
Result from continuing operations	**9.0**	**1.5**	**–84.6**	**–15.3**	**–89.4**	**–4.2**	**–9.3**	**–13.5**
Result from discontinued operations, net of income taxes	0.0	–0.1	0.0	0.0	–0.1	0.0	–0.1	–0.1
Net result for the period	**9.0**	**1.4**	**–84.6**	**–15.3**	**–89.5**	**–4.2**	**–9.4**	**–13.6**
Thereof attributable to:								
Non-controlling interests	0.1	0.2	0.0	0.2	0.5	0.1	0.1	0.2
Consolidated net result (attributable to shareholders of the parent company)	8.9	1.2	–84.6	–15.5	–90.0	–4.3	–9.5	–13.8

Financial Calendar 2020

November 12, 2020

- Statement on the Nine Months 2020
- Conference call for investors and analysts

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