



Annual Report 2020

Key Figures 2020

€m	Footnote	2020	2019	Change
Financial performance				
Sales revenue		919.4	1,086.7	-15.4%
thereof outside Germany		69%	69%	-
thereof in Germany		31%	31%	-
EBITDA before non-recurring items	1]	123.5	120.0	2.9%
Operating EBIT before non-recurring items	9]	19.5	46.6	-58.2%
Operating profit/loss (EBIT) before non-recurring items	1]	50.2	48.4	3.7%
Result from continuing operations before income taxes		-123.1	-73.2	-68.2%
Consolidated net result (attributable to the shareholders of the parent company)		-132.2	-90.0	-46.9%
Return on sales (EBIT-margin)	2]	5.5%	4.5%	+1.0%-points
Return on capital employed (ROCE _{EBIT})	3]	4.5%	3.9%	+0.6%-points
Return on capital employed (ROCE _{EBITDA})	4]	11.1%	9.6%	+1.5%-points
Earnings per share, basic and diluted (in €)		-1.08	-0.74	-45.9%
Net assets				
Equity attributable to the shareholders of the parent company		220.7	418.6	-47.3%
Total assets		1,258.8	1,504.8	-16.3%
Net financial debt		286.5	288.5	0.7%
Equity ratio	5]	17.5%	27.8%	-
Leverage Ratio	6]	2.3	2.4	4.2%
Headcount	7]	4,837	5,127	-5.7%
Financial position				
Payments to purchase intangible assets and property, plant and equipment		55.8	95.1	-41.3%
Depreciation/amortization expense		73.3	71.6	2.4%
Working capital		351.8	406.8	-13.5%
Free cash flow	8]	73.7	-17.3	-

^{1]} Before non-recurring items of minus €143.9 million in 2020 and minus €82.7 million in 2019

^{2]} EBIT before non-recurring items to sales revenue

^{3]} EBIT before non-recurring items to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

^{4]} EBITDA before non-recurring items to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

^{5]} Equity attributable to the shareholders of the parent company to total assets

^{6]} Net financial debt to EBITDA before non-recurring items

^{6]} Net financial debt to equity attributable to the shareholders of the parent company

^{7]} As of Dec. 31, including employees with fixed-term contracts

^{8]} Cash flow from operating activities (continued operations) minus cash flow from investing activities (continued operations)

^{9]} Before non-recurring items and positive one-off impacts of minus €143.9 million and €30.7 million in 2020, respectively and minus €82.7 million and €1.8 million in 2019

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Letter from the Board of Management

Dear shareholders and friends of SGL Carbon:

This is our first letter to you after assuming our respective positions on the Board of Management of SGL Carbon in the spring and fall of 2020. We would therefore like to take this opportunity to give you our impressions of SGL Carbon at the time we assumed office.

We found a company that is a top-flight player in terms of technology and highly regarded by many customers, but still not earning enough money. Technical solutions often appeared more important than profit. Moreover, the administrative units were too large and too expensive for the size of our Company. The business units were also very complex. Another complicating factor was (and continues to be) the Covid-19 pandemic.

Our homework was therefore obvious: We had to develop effective measures against Covid-19; we needed a simpler structure; and our corporate culture had to be focused on profitability.

What sounds a Herculean task under difficult conditions was nevertheless implemented more simply and rapidly than expected. This was because, like our shareholders, all of the employees with whom we spoke were dissatisfied with our Company's moderate success in many areas of its business. We quickly performed a detailed analysis and drafted a comprehensive restructuring program. With the help of some 300 employees, by the end of October we had already defined approximately 700 individual initiatives to improve profits by more than €100 million annually by 2023. In addition, we have radically adapted our spending and investment policies with strict requirements.

We have also divided our businesses into four clearly differentiated units. Since January 2021, the management of each of these units has full profit and loss responsibility. This allows them to act more targeted in addressing different customer needs. We have pared down administration from 20 functions to ten, thereby reducing costs and simplifying processes. We have also defined a new corporate culture. The four basic principles of our new culture, which we call "Formula Carbon," are: Business First, Keep it simple!, Deliver on promises, and Act fast & think different.

With respect to the Covid-19 issue, which dominated 2020, we took effective action. We have so far recorded only some 160 cases of coronavirus at SGL Carbon since the beginning of the pandemic and were able to rapidly and effectively isolate these outbreaks. Consequently, we never needed to close sites or

shut down production. The preventative measures taken by our employees in the workplace also functioned very well. Only two people were infected in the workplace during the period under review, which means that our anti-coronavirus measures are working.

We have also been able to keep the economic fallout from the coronavirus pandemic at a relatively low level. It is true that we suffered a 15% drop in sales revenue to €919 million in 2020, primarily due to the pandemic, and that write-downs and restructuring expenses kept group profits in the negative range once again. Nevertheless, we were able to stabilize EBIT before non-recurring items by utilizing one-off effects from sales of real estate and our agreement with the buyer of our former graphite electrode business. We were also able to counterbalance the pandemic's effects from an operational standpoint, for example by acquiring new customers in the wind sector and through a variety of already effective cost savings.

As a result of this determined and systematic crisis management, we managed to keep our operational EBIT before non-recurring items slightly above expectations at €19.5 million in this difficult year of 2020. We also significantly improved free cash flow from continuing operations to €73.7 million and slightly reduced our net financing debt.

How do things look going forward? We have succeeded in handling the crisis, while simultaneously creating a structure in which we can promote particularly promising businesses in a more targeted manner. Overall, SGL Carbon is more stable thanks to the improved cost structure. Moreover, we have no significant payments due on existing financial instruments before September 2023. When the global economy returns to normal, SGL Carbon will experience a twofold benefit: our business will come back and costs will be significantly lower.

This is also reflected in our outlook. For example, we are assuming that fiscal year 2021 will be characterized by a moderate recovery. Sales revenue should be slightly above the previous year, in the range of €920 – €970 million. We expect the adjusted EBITDA to improve to €100 – €120 million, compared to €92.8 million in the previous year. The restructuring measures we have introduced will be positively reflected in this area in particular. Consolidated net income is therefore expected to improve significantly in 2021 and should be in the range of €-20 to €0 million.



Among the general public, 2020 is frequently described as a "lost" year with lower demand. Instead of accepting this situation, however, we rolled up our sleeves and renewed our Company from the ground up.

We are extremely proud of our teams and what they have accomplished. We therefore thank all of our employees for their enormous efforts during this challenging time. We also thank you, our shareholders, for your patience and your interest in our and your SGL Carbon.

We are making comprehensive and sustainable changes to our Company to ensure a successful and profitable future. This is our promise to you.

Please continue with us on the "Formula Carbon" track and stay healthy!

Sincerely,

Thomas Dippold
Chief Financial Officer

Dr. Torsten Derr
Chief Executive Officer

Report of the Supervisory Board



Susanne Klatten, Chairwoman of the Supervisory Board

Dear Shareholders:

Our Company faced enormous challenges in the past fiscal year. As it did in many other areas of the economy, the Covid-19 pandemic created significant burdens for the Company that will be addressed this year as well. Nevertheless, we are encouraged by the fact that the effects to date have not been as serious as feared at the outset of the pandemic. The Company's Board of Management and its employees have responded with determination and have taken consistent and effective measures during the reporting year to protect staff, the Company's business operations, and its financial liquidity.

That being said, the reporting year has also revealed the urgent need to increase the Company's profitability. This can be attributed firstly to negative changes among our customers, such as the aerospace industry, who have been severely affected by the pandemic. Secondly, however, the pandemic has

also clearly shown that SGL Carbon needs to develop more forward-looking and efficient structures, as well as a more stringent cost basis.

The present task of Company management is to accept this challenge and continue to enthusiastically implement the defined measures. The generational change in the Board of Management that was initiated by the Supervisory Board in the reporting year is ensuring that the Board of Management can undertake a far-reaching and sustained process to transform the Company and can support the entire transformation process in a responsible fashion. The Supervisory Board's search for candidates accordingly placed heavy emphasis on "experience in the implementation of transformational processes" as a selection criterion.

The restructuring program, which was developed by the Board of Management, adopted on October 30, 2020, and then published, is designed to ensure sustainable growth in the profitability and competitiveness of SGL Carbon. The program includes profit-enhancing measures of more than €100 million by 2023. Promising initial steps for implementation of the program have already been taken. The Supervisory Board greatly appreciates the commitment and enthusiasm shown by the Board of Management and employees in the development and implementation of this program. However, their continued dedicated and vigorous implementation will be a decisive factor for its success. The Supervisory Board will closely and intensively collaborate with and provide support to the Board of Management to achieve this goal.

We continue to be convinced that the Company's existing product portfolio caters to strategically attractive and fast growing markets and offers innovative and sustainable products. This assessment is supported by the contracts and forward-looking collaborations initiated toward the end of 2019 by the CFM business unit and in the area of fuel cells.

As evident from the last efficiency test at the end of 2019, cooperation within the Supervisory Board and the committees is very positive. As part of this efficiency test, an extensive anonymous survey was used to analyze the work of the Supervisory Board and its committees, and the results of this survey were thoroughly discussed in the Supervisory Board. The next efficiency test is scheduled for 2022.

Cooperation between the Board of Management and Supervisory Board

In the reporting year the Supervisory Board fulfilled its obligations under the law, the Articles of Incorporation, and its rules of procedure in accordance with its responsibilities. Dr. Majerus and subsequently Dr. Derr as the new CEO of SGL Carbon SE were in close contact with the Supervisory Board and the chairwoman of the Supervisory Board.

At ten meetings, some of which were also held virtually as videoconferences due to the Covid-19 pandemic, and at meetings of the various committees, the Supervisory Board advised the Board of Management and closely monitored management of the business on a continual basis. In doing so, the Supervisory Board was able to affirm the legality, practicality, and propriety of the Board of Management's activities. The Board of Management kept us informed in a regular, timely, and comprehensive manner, both in writing and orally, concerning the Company's situation and major business transactions and projects. When legislation and the Articles of Incorporation required the Supervisory Board to make decisions concerning individual transactions or projects by the Board of Management, we were consulted at an early stage and adopted the necessary resolutions.

Prior to the meetings of the Supervisory Board, the Board of Management held discussions with the shareholder representatives and employee representatives on the Supervisory Board. The chairpersons of the committees also spoke with their Supervisory Board colleagues and with members of the Board of Management in preparation for the relevant committee meetings. As part of the meetings of the Supervisory Board, the Board of Management provided us with comprehensive and timely information – both orally and through documents – on the agenda items being discussed. Any areas in which operating performance deviated from budgets and targets were explained in detail, and the reasons for the variances were discussed at length, together with appropriate measures to be undertaken. The members of the Supervisory Board had sufficient opportunity to critically examine the submitted documents and draft resolutions in the Supervisory Board and its committees, and to add their own suggestions. The Board of Management also provided regular reports on material transactions, the quarterly figures, and the perception of SGL Carbon in the financial markets.

As chairwoman of the Supervisory Board, I myself maintained a regular and close dialogue with Dr. Michael Majerus as the spokesman of the Board of Management, and as of June 1, 2020 with Dr. Derr as the CEO, to discuss business performance,

planning, and specific business-related issues. The chairman of the Audit Committee also remained in regular close contact with the Board of Management between committee meetings to share information and ideas.

Topics covered at full meetings of the Supervisory Board

At the Supervisory Board meetings in March, April, July, September, and November, the Company's financial situation and the outlook for the remaining fiscal year were discussed. In addition to current reports on the coronavirus situation, the regular topics covered at these meetings therefore notably included trends in the Company's operational and financial KPIs, opportunities and risks facing the Company, and its risk management activities, including those relating to compliance risks. The Company's strategic position and the growth projects presented by the Board of Management for the Company's business units were important points of focus for regular and intensive discussions. Other important topics included short- and medium-term financial planning.

The Supervisory Board meetings in January, February, August, and October dealt with special topics, and in October also with the initial estimates for the Company's new medium-term planning and the restructuring program. Board of Management topics were addressed at the other meetings.

Specifically, the (virtual) Supervisory Board meeting in January dealt with the revision of the remuneration system for the Board of Management. Parts of the existing remuneration system were adjusted based upon the preliminary work of the Personnel Committee. For example, topics such as sustainability are now taken into account more strongly in the variable compensation for the Board of Management. The Supervisory Board thanks the shareholders for their show of confidence, as demonstrated by the large majority who approved this new remuneration system in the 2020 Annual General Meeting. At the January meeting, the Supervisory Board also addressed the status of the selection process for a successor to the CEO.

The Supervisory Board continued the selection process at a (virtual) meeting in February, appointing Dr. Derr as CEO of the Company effective July 1, 2020 for a five-year period of office, and entering into an employment agreement with him based upon the new remuneration system. Details on remuneration for the Board of Management can be found in the Remuneration Report. The Supervisory Board is convinced that with his leadership experience and his high level of technological expertise,

Dr. Derr will strongly promote a culture of growth and productivity at SGL Carbon.

At the meeting in March 2020, the Supervisory Board discussed the final version of the 2019 annual financial statements and consolidated financial statements with the independent auditors and approved the statements and the annual report. In addition, the results of a study of the Company's planning and forecast process were explained to the Supervisory Board by an external consultant. The Board of Management then reported on adjustments to the processes that have already been implemented and discussed with the Supervisory Board further measures for improvement of the forecast process. The risks caused by the Covid-19 pandemic were also extensively discussed in this meeting. In particular, the possible effects of the pandemic on future business performance were considered, protective measures already undertaken by the Board of Management were analyzed, and possible additional countermeasures were discussed. The Supervisory Board also decided on the targets for the Board of Management (both target achievement for 2019 and the new targets for 2020). Finally, the resolution items for the Annual General Meeting initially scheduled for April 22, 2020 were approved.

The meeting in April of 2020 was likewise strongly influenced by the coronavirus pandemic. The Board of Management reported to the Supervisory Board on consequences of the pandemic to date, as well as measures already undertaken by the Company to protect staff and minimize business risks. The Board of Management presented in detail various scenarios for business performance, depending upon future changes in the infection situation, as well as consequences for the Company's results and liquidity, and discussed possible countermeasures with the Supervisory Board. The Supervisory Board also once again approved the resolution items for the Annual General Meeting, since the Annual General Meeting in April, which was initially planned as an in-person event, could no longer be safely conducted due to hygiene requirements. The Annual General Meeting therefore had to be postponed until June as a virtual event. Because Dr. Derr could occupy his office as CEO even earlier, the Supervisory Board decided to appoint Dr. Derr effective as of June 1, 2020.

At the June meeting following the Annual General Meeting – which was held virtually for the first time – the Supervisory Board committees were reconstituted and the Supervisory Board was provided with an overview of the various operational projects.

At the July meeting of the Supervisory Board, the Supervisory Board once again intensively addressed the further effects of the coronavirus pandemic since the last meeting. The Company's strategic direction was also discussed jointly with the Board of Management, including various projects in the Company's growth markets such as Gas Diffusion Layer (GDL), Graphite Anode Material (GAM), or semiconductors. The sustainability strategy and the development of long-term quantitative sustainability targets for SGL Carbon were also discussed at length. The Supervisory Board considers the development of a wide-ranging sustainability strategy for SGL Carbon to be an essential topic, not least in light of the increasing significance of these issues for all of the Company's stakeholders.

A [virtual] meeting was held in August, at which the Supervisory Board dealt with the succession to Dr. Majerus as CFO. Following a comprehensive and careful selection process, the Board decided upon Mr. Dippold, a candidate with international experience, as the successor to Dr. Majerus. At the meeting, Mr. Dippold was appointed to the position effective as of December 1, 2020 for a five-year period of office. The resignation of Dr. Majerus on November 30, 2020 was decided by mutual consent.

At the September meeting, in addition to a focus on business performance, the Supervisory Board also addressed strategic topics. In this context, the Board of Management also reported on the processes it had initiated to analyze the existing company structure and processes and held out the prospect of robust results concerning potential areas of optimization by the end of October. The Board of Management also presented to the Supervisory Board the revised corporate culture concept "Formula Carbon" with the values "Business First" – "Keep it simple!" – "Deliver on promises" – "Act fast & think different," and explained the comprehensive actions that will be taken to impart these values to the Company's employees, as well as their consequences in the day-to-day work environment. Another agenda item addressed in the meeting was work safety within the Company. Here the Supervisory Board supports the additional steps desired by the Board of Management for further improvement in this area. In the final item of the meeting, the auditing firm KPMG AG was once again engaged to audit SGL Carbon's CSR system.

With the resolution of October 14, the Supervisory Board moved up the start date for Mr. Dippold's period of office to October 15, 2020. On this date, Dr. Stephan Bühler also resigned from the Board of Management as scheduled.

One agenda item for the [virtual] meeting of the Supervisory Board in October was a comprehensive report by the Board of

Management concerning the progress of the ongoing restructuring project. The focus of the meeting was the Board of Management's report on business development for the current fiscal year, and particularly the (preliminary) plan for 2021-2025. The Board of Management's planning assumptions indicated a significant need for a write-off. It also emerged that based upon the restructuring project, a significant adjustment in the number of employees will be required over the next 1-2 years. With successful completion of the project, the overall objective is to achieve significant sustainable savings of up to €100 million.

The [virtual] November meeting focused on the outlook for 2020, the Company's operational planning and budget for fiscal 2021, and an exchange of views on medium-term planning. At this meeting, the Supervisory Board also received a report on the status of individual strategic projects and addressed the status of restructuring measures. In addition, the Supervisory Board received information on an internal "organizational health" survey, which pointed to the need for action in several areas covered by the survey. The topic "Roadmap to Sustainability" as a means for greater sustainability was also presented. The new financial targets (for variable short-term and long-term salary components) and the personal targets for Board of Management members for fiscal year 2021 were also approved. An updated declaration of compliance and the blackout periods for 2021 were also decided upon, and the Company reported on the successful certification of the Compliance Management System.

Activities of the Committees

From the meetings of the respective committees, the chairpersons of the committees provided extensive reporting at the Supervisory Board meetings about the work of the committees.

The [Audit Committee](#) met in March, September, and November of 2020, with one meeting held as a videoconference due to the coronavirus pandemic. The independent auditors also participated in all meetings.

The Audit Committee also received explanations of the financial statements in three telephone conferences prior to publication of the quarterly figures.

Current business performance and any business risks identified by the system for documenting and managing risk were discussed at all of the meetings of the Audit Committee. The Audit Committee also received reports at each meeting from

the Board of Management concerning progress in implementing the improvement measures for the planning and forecast process. The non-audit services provided by the auditors were discussed to identify any areas where the auditors' independence might potentially be compromised.

A core topic at the March meeting was the detailed discussion of the annual financial statements of SGL Carbon SE and the consolidated financial statements for 2019, as well as the auditors' report. The Audit Committee also focused on the internal control system, the audits performed by the internal auditors, the envisaged audit plan, and the non-financial Group report ("CSR Report").

One significant focus of the September meeting was the assessment of current collaboration with KPMG, which has performed the audit of the annual financial statements since 2017, and an assessment of the quality of auditing. In addition, the internal auditors explained the methods for digital process auditing based upon data analyses.

The meetings in September and November were used in particular to prepare for the audit of the 2020 financial statements. The organization and areas of focus for the audit were discussed with the independent auditors, as were other matters relevant to the financial statements.

At the March and September meetings, the committee addressed potential conflicts of interest among the Supervisory Board members or material shareholders and the status of the compliance initiatives.

In a total of four face-to-face meetings and eight teleconferences or discussions, the [Personnel Committee](#) dealt with personnel topics, most of which involved the appointment of new members to the Board of Management. At two meetings on January 24 and 28, the Personnel Committee also prepared the update of the new Board of Management remuneration system for approval by the Supervisory Board. These two meetings also pressed ahead with the selection process for appointing a new CEO. At the committee's March meeting, target achievement and target agreements for the Board of Management members were discussed within the scope of their variable compensation. In three votes within the Personnel Committee over the course of July and at two additional teleconferences in August, the Personnel Committee prepared for the succession to Dr. Majerus, and at the Supervisory Board meeting of August 17, 2020, Mr. Dippold was proposed to the Supervisory Board as his successor. At the September meeting, the committee consid-

ered the effects of the Covid-19 pandemic on the Board of Management's remuneration structure; it concluded that there was no need for modification. At its October 12, 2020 meeting, the committee dealt with the system for long-term succession planning on the Board of Management and professional development for Company employees.

At the November meeting, the financial targets [for variable short-term and long-term salary components] and the personal targets for Board of Management members for fiscal year 2021 were approved. The targets were therefore established early, prior to the start of the fiscal year for which the targets applied; this was a deviation from previous years.

Attendance at the Supervisory Board meetings and the extraordinary Supervisory Board meeting was 100%. Each of the committees met with full attendance. There were no reports of conflicts of interest in 2020 among the members of the Supervisory Board that would have required immediate disclosure to the Supervisory Board.

Annual Financial Statements and Consolidated Financial Statements 2020

Both at the Audit Committee meeting and at the Supervisory Board meeting held in March 2021, the Supervisory Board verified that the books and records, the single-entity financial statements of the parent company SGL Carbon SE prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, for the period ending on December 31, 2020, and the management reports of SGL Carbon SE and of the Group had been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and had been issued with an unqualified auditors' opinion. The Supervisory Board had previously verified the independence of the auditors as well as the persons acting on behalf of the auditors and issued the audit engagement letter in accordance with the resolution adopted by the Annual General Meeting on June 16, 2020. We received the audit reports for the consolidated and parent company financial statements in a timely manner. The Audit Committee carefully scrutinized these documents, which were also examined by the entire Supervisory Board. The independent auditors attended both the Audit Committee meeting and the Supervisory Board meeting in which the annual financial statements were discussed, reported on their audit, and were available to answer any additional questions and provide further information. No objections were raised either by the Audit

Committee or by our own examination. The Supervisory Board approved the financial statements prepared by the Board of Management, and thus adopted the annual financial statements. There was no recommendation by the Board of Management for the appropriation of profits because SGL Carbon SE reported an accumulated loss for fiscal year 2020.

At its meeting in March 2021, the Supervisory Board also discussed the Report of the Supervisory Board, the Corporate Governance Declaration, the Corporate Governance and Compliance Report, the Remuneration Report, and the disclosures pursuant to Sections 289a and 315a HGB. Please refer to the corresponding disclosures in the annual report [see pages 6 – 103]. The Supervisory Board reviewed these reports and their completeness, and – within the scope of its expertise – the accuracy of their contents.

KPMG issued an unqualified audit opinion with regard to the separate non-financial Group report. This means that based on the audit activities carried out and the audit evidence obtained, no information was obtained that would lead to the assessment that the separate non-financial Group report was not in compliance in all material respects with Sections 315b and 315c in combination with 289c to 289e HGB.

Similarly, based on its own assessment, the report of the Audit Committee regarding its preparatory assessment and the audit opinion of KPMG, the Supervisory Board did not find any reasons to suggest that the separate non-financial Group report had not been prepared properly and appropriately.

Corporate Governance and Declaration of Compliance

At its meeting on November 26, 2020, the Supervisory Board addressed corporate governance topics and approved the declaration of compliance pursuant to Section 161 of the Stock Corporation Act (AktG). The declaration of compliance is permanently accessible on the Company's website in accordance with the German Corporate Governance Code. It is also reproduced in the Corporate Governance Declaration in this annual report on pages 94-103. Further statements concerning the Company's corporate governance can also be found there.

Personnel and functional changes on the Board of Management and Supervisory Board

Dr. Derr was appointed as CEO of SGL Carbon SE as of June 1, 2020. Mr. Dippold was appointed to the Board of Management

as of October 15, 2020, and Dr. Bühler resigned from the Board of Management on the same date. Dr. Majerus resigned as CFO of the Company by mutual consent as of November 30, 2020. Mr. Dippold has held the position of CFO since December 1, 2020. As of the end of 2020, therefore, the Board of Management consists of two members, Dr. Derr and Mr. Dippold. In the interest of maintaining a stable leadership structure with personnel continuity for the business tasks at hand, both Board of Management members were appointed by the Supervisory Board for a five-year period office.

There were no personnel changes to the Supervisory Board in the period under review. Ms. Klatten, Mr. Denoke, and Mr. Eichler were reappointed by the Annual General Meeting on June 16, 2020, each for a five-year period of office on the Supervisory Board. Following her reappointment to the Supervisory Board, Ms. Klatten was once again elected as chairwoman of the Supervisory Board and Mr. Denoke as deputy chairman of the Supervisory Board.

Thanks from the Supervisory Board

The Supervisory Board wishes to thank the Board of Management, the staff, and the employee representatives of all SGL Carbon companies for their work, without which we could not have met the challenges that once again faced SGL Carbon's business in 2020. We would like to express our special thanks to Dr. Majerus and Dr. Bühler for their efforts on the SGL Carbon Board of Management, and for their effective and faithful collaboration with the Supervisory Board.

Wiesbaden, March 24, 2021

The Supervisory Board



Susanne Klatten
Chairwoman of the Supervisory Board

Corporate Social Responsibility

About this report

This chapter presents SGL Carbon's corporate social responsibility activities. Socially responsible, environmentally conscious and resource-friendly behavior, promotion of responsible and sustainable product solutions, responsibility for our employees, commitment to human rights as well as compliance and anticorruption standards, are integral parts of SGL Carbon's corporate culture and objectives. They are key requirements to the long-term success of our business.

Fundamentals

This report presents SGL Carbon's non-financial Group declaration according to Section 315b of the German Commercial Code [HGB] and its content corresponds to the requirements of Section 315c in connection with Section 289c of the HGB. The following report presents our key non-financial activities with regard to the five aspects environment, employees, social requirements, upholding human rights and combating corruption and bribery in detail and transparently in a separate non-financial Group report. We present our business model in detail in the chapter "SGL Carbon - the Group" (page 39) of the Group Management Report.

In preparing this separate non-financial Group report, we use the guidelines in the Sustainability Reporting Standards [SRS] of the Global Reporting Initiative [GRI] as an orientation for the non-financial performance indicators presented. In order to be able to better map our special requirements and as a result of the constant further development of SGL-specific issues, in addition we have developed our own key performance indicators [KPIs]. The KPIs used are the same as in the previous year.

The content of the separate non-financial Group report was reviewed as part of an external limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft (see information on page 68).

Key issues

Based on this non-financial Group report, a materiality analysis was performed in 2020, based on the previous analyses in the years 2016 to 2019. In line with the double materiality claim, this analysis considered the economic impact that an issue has on the Company, and how SGL Carbon's business activities impact third parties. The key issues ascertained were prioritized according to their importance for the understanding of the course of business, earnings, the Company's position as well as the impact its activities have on the aspects set out above (in line with Section 289c [3] of the HGB).

For validation purposes the topics identified in 2020 were once again assessed by the functional responsible managers named by SGL Carbon with regard to the criteria of double materiality according to the HGB. These specialists used a questionnaire to evaluate and provide reasons for the importance of each individual topic, and these were then discussed in a joint workshop. Participants included the functional responsible managers as well as the responsible project coordinators and also the respective responsible persons in central functions and the business units. Then the total results of the validation were presented to the Board of Management for adoption.

This validation of the material issues did not result in any material adjustments for SGL Carbon's 2020 non-financial Group report.

The key issues thus identified for SGL are broken down into "Compliance", "Products", "Environment, health and safety affairs" and "Employee affairs", as was also the case in the previous year. In addition, we once again also offer a voluntary report on "Corporate citizenship", which does not represent a material topic for the non-financial Group report. The following table shows the allocation of key issues to these various areas. We report voluntarily on the issue shown in italics and this thus does not form part of the non-financial Group report.

Area	Key issues for SGL Carbon
Compliance	<ul style="list-style-type: none"> • Compliance Management • Human rights • Anti-corruption and bribery • Responsibility for the supply chain
Products	<ul style="list-style-type: none"> • Product quality • Environmental product impact • Sustainable product innovation
Environment, health and safety affairs	<ul style="list-style-type: none"> • Energy consumption and CO₂ emissions • Health and safety at work and health protection • Process safety • Resource management (waste and water)
Employee affairs	<ul style="list-style-type: none"> • Diversity and equal opportunities • Employability and development • Attractiveness as an employer
Corporate citizenship	<ul style="list-style-type: none"> • <i>Local communities</i>

The different chapters describe the concepts that we are pursuing and present the objectives and results of the activities put in place to date. Issues with voluntary reporting are marked correspondingly with footnotes in each case and do not form part of the non-financial Group report.

Material risks according to Section 315c in connection with Section 289c [3] Nos. 3 and 4 of the HGB

In this separate non-financial Group report, we considered the key risks linked to our own business activities and also material risks which are linked to SGL Carbon's business relationships, its products and services, and which almost certainly have a material negative impact on the affairs set out as part of the non-financial report (Section 315c in conjunction with 289c [3] Nos. 3 and 4 of the HGB). In this regard, in the first instance key risks have been identified for the individual issues (areas) by the responsible departments. These risks were then evaluated together with the Group's risk management while considering the management and control activities, in particular with regard to whether they could be highly likely to have a major negative impact. In summary, no material risks were ascertained which could very probably have a major negative impact on the issues mentioned above.

Review of the Group's sustainability strategy

The importance of the topic of sustainability has not decreased in the pandemic year 2020. Rather, climate legislation and climate targets are being tightened around the world (example: the EU's European Green Deal). Many of SGL Carbon's customer industries are investigating possibilities for CO₂-neutral production (including chemicals and automotive). Investors are also increasingly considering companies' sustainability performance in their investment strategies. As a technology-based company with intelligent solutions, SGL Carbon wants to provide its customers with the best possible support. That is why the group-wide strategic project "SGL Carbon. Roadmap to Sustainability" was launched in 2020.

This project was processed by a team of employees from several departments in our central areas and business units, with the support of a specialized sustainability consultancy. The structured approach initially collected the expectations of SGL Carbon's various stakeholder groups (customers, regulators, investors, employees and others). Analyzing the current and anticipated underlying legal framework and the requirements this imposes on SGL Carbon formed one of the key areas (including the Action Plan on Financing Sustainable Growth/Taxonomy and the EU's European Green Deal, the German Federal Government's 2030 climate protection program, national action plan for human rights, statutory duty of care for human rights in the supply chain/"Supply Chain Act"). For the first time, and with the aid of the consulting firm engaged, SGL Carbon has identified its own global footprint with regard to the environment and social impact including the supply chain (so-called "impact analysis").

The project "SGL Carbon. Roadmap to Sustainability" clearly prioritized SGL Carbon's sustainability topics and worked out three focus areas which are pursued at a group level: (1) Energy consumption and greenhouse gases, (2) Sustainable product portfolio and (3) Sustainability risks in the supply chain (including compliance with human rights and social standards). Projects have been launched for all three topics, in order to first define the respective aspiration level and the associated improvement targets. The further findings from the strategic project "SGL Carbon. Roadmap to Sustainability" will be included in the business strategies for the newly defined four business units in future, and also in the further development of the subsequent key areas of activity by the responsible central functions.

Compliance

Compliance Management

As a global group, SGL Carbon has particular responsibility for dealing with its employees, customers, business partners, shareholders and the public.

The structure and implementation of the SGL Carbon Group's Compliance Management System (CMS) thus follows the corresponding national and international standards such as IDW PS980 or ISO 19600:2016. In order to review the corresponding elements with regard to their implementation status and effectiveness, the Board of Management has thus commissioned an external audit of the CMS by an independent third party. This audit of the CMS of SGL Carbon SE as the Group's parent company was performed as part of a two-day audit in October 2020 by DQS GmbH (a German company for the certification of management systems). After the audit by DQS had been completed, SGL Carbon SE received a certificate to confirm that it has implemented a CMS which meets the requirements of ISO 19600:2016.

SGL Carbon's Code of Conduct is an integral component of our management and corporate culture, and it sets standards for responsible, legally compliant behavior. This includes the compliance by all of our executives and employees with internal and external regulations and that ethical and sustainable principles govern our activities. SGL Carbon's compliance program includes the Code of Conduct as well as additional internal requirements and policies for various target groups and specific topics (for further information see the Corporate Governance Declaration, Governance and Compliance Report, page 94). A further component is the anti-corruption program (see the section on "Anti-corruption and bribery").

The Chief Compliance Officer is responsible for the compliance strategy and monitoring the structures and processes in the Compliance Management System (CMS). He reports directly to the Board of Management. He is supported in his work by the Group Compliance department. The organization also includes our Compliance Network, which comprises regional and local compliance representatives as well as compliance representatives from the business units (BU) and corporate functions (for further information see the Corporate Governance Declaration, Governance and Compliance Report, page 94).

The effectiveness and efficiency of the CMS is constantly reviewed, and this enables us to react in a reasonable manner to new statutory requirements and changes in the business environment. In alignment with the Compliance Committee, each year the Group Compliance department identifies and defines any action that may be required and measurable objectives approved by the Board of Management. We summarize the extent to which targets have been met and the resulting follow-up activities as part of an annual review.

Regular risk assessments form a key component of our effective CMS, and these cover SGL Carbon's identified compliance risk areas, summarized in our "House of Compliance". During the past fiscal year 2020 the focus was on the following compliance categories in the compliance risk landscape: Finance and liquidity, money laundering, compliance in the supply chain, environment, health and safety at work, employee protection, IT and information security as well as data protection. The risk assessments were performed in interviews with the respective compliance representatives from the central functions and the questions are based on ISO 19600:2016 guideline. The results were discussed in the Compliance Committee Meeting in February 2020 and individual improvement activities were agreed.

The risk category Tax Compliance forms a further element of the compliance risk landscape. The top-level CMS is supplemented by a separate Tax Compliance Management System (T-CMS). This was completed in 2019 for Germany and was successfully submitted to a suitability review according to IDW PS980. At present, corresponding T-CMS are being rolled out in all jurisdictions in Europe in which the Group has subsidiaries. A group tax policy and an organization policy set out the governance framework for this particular compliance management system. The Head of Group Taxes is responsible for the T-CMS and for monitoring the structures and processes in this management system. He reports directly to the Chief Financial Officer. He closely coordinates his work with the Chief Compliance Officer and the Group Compliance department, and regularly reports on current developments in the Compliance Committee.

In addition, the CMS also stipulates that compliance topics are regularly documented by the local (LCR) and business unit compliance representatives as part of the compliance reporting process. Semi-annual and annual LCR/business unit questionnaires are used to confirm that the compliance program is being implemented at the local sites and within the business units. The results from the evaluation of the questionnaires are

discussed with the Board of Management, as well as the Supervisory Board's Audit Committee. If required, they also form the basis for the reorientation of compliance activities. The semi-annual LCR reports were provided by all of the LCRs for the corresponding reporting period. Due to the restructuring of the business units the compliance questionnaires for the business units were suspended for 2020. They will be resumed in 2021.

In view of the constantly further developing underlying statutory conditions, SGL Carbon continuously optimizes its training content and constantly identifies training requirements. The eLearning program on the Code of Conduct is the basic compliance training program for all new employees in senior and middle management, administration and production in positions with management responsibilities. It is used at all of our sites around the world and is available in German, English, Chinese, French and Polish. New employees in this target group will be included in the eLearning training program on an ongoing basis, based on the SAP quarterly report. In 2020 a training program on the Code of Conduct for production employees was added to the eLearning portfolio. This training program was rolled out at all of the US sites and also at Muir of Ord in the UK as a result of technical conditions. A total of 445 production employees have been trained.

In order to be able to offer refresher courses for the Code of Conduct in line with the training plan, a new training series "Compliance at a glance" was developed in 2020. The Covid-19 situation in 2020 meant that no face-to-face training sessions could be held, so these refresher courses were held online and a total of 225 employees were trained in this way.

Human rights

SGL Carbon attaches great importance to observing human rights at its sites. As a result, in the Code of Conduct SGL Carbon has undertaken to comply with the principles of the UN Global Compact and to uphold and protect human rights. This is discussed in further detail in the chapter "Employee affairs" found in the Code of Conduct. This section also refers to the Human Rights Policy already introduced globally in 2018. This policy is available in a total of nine languages and forms part of the onboarding documents for new employees at all of SGL's sites. This is confirmed to Group Compliance by the LCRs at the sites via the annual LCR report. This report also includes a query that the local sites around the world observe and uphold human rights and national requirements for labor law. A risk

assessment on Human Rights was already performed in 2019 in the form of an internal questionnaire. This was based on external standards. It aimed to identify human rights risks, to evaluate these and, if necessary, to put the corresponding risk mitigation measures in place. After evaluating the risk assessment, the results were discussed with the LCRs during a LCR telephone conference in the first quarter of 2020. This did not result in any major requirements for changes at the sites. The issue of violating human rights at the SGL sites was ranked as being a low risk.

The eLearning program on the Code of Conduct is binding for all employees in senior and middle management, administration and production in positions with management responsibilities, and deals with anti-discrimination as a major aspect when observing human rights. Management training on site also offers an additional platform for addressing this issue. The training sessions held in 2019 at the German locations in Meitingen, Bonn and Limburg could not be continued in the 2020 reporting year due to the effects of Covid-19 at the remaining German locations. This subject has also formed part of the OMS training sessions as part of the Operation Management System [OMS] since 2019 and has now been rolled out at a total of 29 sites. In addition, the Group Human Resources and Group Compliance departments are jointly developing a training concept on the topic of human rights. This is to be adopted in 2021 as part of the regional compliance conferences together with the LCRs.

In order to allow employees and executives to report possible violations of the rules on observing human rights more effectively and in a more direct manner, in 2018 an in-house reporting channel was introduced in addition to the existing whistleblower system. This is described accordingly in the Human Rights Policy. The reports received are logged and processed and form part of the semi-annual compliance report to the Board of Management.

Anti-corruption and bribery

SGL Carbon attaches great importance to its excellent relationships with customers and suppliers. SGL Carbon demands and promotes transparent, legal processing of all of Company's transactions to create trust and secure business relationships over the long term.

The principles for fighting bribery and corruption are defined in SGL Carbon's Code of Conduct, which applies throughout the entire Group, in the training concept for the anti-corruption topic and in the Policy for Gifts and Entertainment (G&E Policy). Among other items, the G&E Policy also sets out how to deal with tangible and intangible gifts. These must be in line with the policy and also correspond to the business partners' regulations. SGL Carbon's top-level objective also applies here – that all employees must be informed about all key policies and also uphold these.

SGL Carbon has a group-wide Business Partner Compliance Process (BPC) to monitor the risks and control the workflows when dealing with sales agents. The target group for the BPC process currently comprises sales agents and distributors. This process includes having the new business partners go through a multi-stage check prior to signing the agreement. This process is also part of an internal check in the context of SGL's Internal Control system (ICS). In addition to new intermediaries, existing sales agents are also subject to regular reviews depending on risk category. The nominated business sponsors from the business units are responsible for starting this process. In 2020 all of the existing sales agents and distributors were once again assessed and evaluated in the new Risk Assessment Tool.

As a result of the frequency rate defined in the training plan, employees in the target group must undergo face-to-face or online training on the topic of anti-corruption every two years. The target group is currently all employees in senior and middle management, administration and production in positions with management responsibilities. As a result of the Covid-19 restrictions the training sessions were only held online or in a web-based version during the past fiscal year. A total of 1,183 employees were trained. In addition, the training program is included in the SAP Onboarding Compliance Training Catalog, in order to provide all new employees in this target group with corresponding training.

Furthermore, our Code of Conduct also regulates how to deal with donations to political parties and in this regard refers to SGL Carbon's Sponsoring and Donations Policy. This governs the standard which applies throughout the Group which ensures transparent dealings with sponsoring and donations and which also forbids financial support for parties and candidates in political offices as well as members of parliament. This regulation applies for all of SGL Carbon's employees, including members of the Board of Management.

Responsibility for the supply chain

As a global company with a highly diversified industrial customer structure, SGL Carbon has a wide variety of business relationships. We expect our business partners to act lawful, ethically and sustainably to the same extent as SGL Carbon for the duration of the partnership. In order to guarantee this, we have introduced a Code of Conduct for Suppliers and Subcontractors. In addition to conduct rules which must be upheld with regard to integrity, combating corruption among suppliers as well as social and environmental standards, it also includes requirements for dealing with so-called conflict materials and a binding acceptance of the UN Global Compact principles. SGL Carbon has had its own policy on conflict minerals since 2015 and is dedicated to avoiding the use of so-called conflict minerals in its products and production processes. This policy was revised during the past fiscal year and will be re-distributed to the target group in 2021.

Global Purchasing is responsible for implementing and applying the Supplier Code of Conduct which was already introduced in 2015 and is anchored in SGL Carbon's general purchasing conditions. As part of the successive roll-out, the Code was issued to the most important and also risk-relevant target groups. These were defined according to their shares in SGL Carbon's annual purchasing volume. 93% of the main existing suppliers have undertaken to comply with our Code. We also request new suppliers who are stored in SGL Carbon's system, to sign the code or to present equivalent compliance standards. When it comes to raw materials, new suppliers are questioned on the fundamentals of the Code of Conduct for suppliers, and their responses are included in the final supplier selection.

As part of the supplier assessment that is performed annually, SGL Carbon assesses points that correlate with delivery performance and quality, and since 2018, also evaluates the supplier's performance with regard to legal, ethical and sustainable behavior. The results of this assessment are included directly in the supplier risk management. Based on the risk assessment, requirements are derived for any necessary supplier development activities and also any supplier audits to be performed. For the latter, issues relating to compliance with environmental and social standards have also been taken into account since 2019.

As part of the "Together for Sustainability" (TfS) initiative, a group of leading international chemicals companies, two German subsidiaries from SGL Carbon's business units are also

regularly subjected to an online sustainability assessment with good results. In August 2020 SGL Carbon participated in the CDP [Carbon Disclosure Project, see www.cdp.net] for the first time in the "Climate Change" category. SGL will continue to participate in CDP in 2021.

SGL Carbon has production facilities in a large number of countries, and delivers products to customers all over the world, which is why avoiding risks connected with trade activities and customs regulations is of major importance. These risks include limitations regarding ability to deliver, tax evasion, customs and other duties as well as fines and delinquencies. SGL Carbon aims to use suitable compliance processes to ensure that the exchange of goods and technology and the use of services correspond to the respective internal and external requirements. This principle is reflected in the Global Trade Policy, which applies throughout the Group, and also in SGL Carbon's process instructions for the preparation, optimization and execution of all trade activities, for control mechanisms and also for the management and monitoring of risks and responsibilities.

Our export executives and export control delegates are responsible for export controls and customs in our companies and units. Our compliance program for export control and customs has been working with an IT-based compliance module since 2009. This enables the efficient monitoring and processing of export transactions. This module is regularly brought into line with the latest statutory requirements. With regard to customs, as a rule a license as an Authorized Economic Operator (AEO) is required, in order to be able to use additional authorizations under customs law, specific customs processes or certain simplified processes. During the year under review an additional SGL company was licensed as an Authorized Economic Operator. As a result, in Germany, SGL CARBON GmbH, SGL Technologies GmbH, Dr. Schnabel GmbH, SGL epo GmbH, SGL Composites Materials Germany GmbH, Brembo SGL Carbon Ceramic Brakes GmbH and, in France, SGL CARBON S.A.S. were certified by the customs authorities as being Authorized Economic Operators.

The export control proceedings are also key element of the Compliance Risk Assessment [see "Compliance", page 14]. We aim to thus ensure that international treaties and national laws are upheld for international transactions and inter-company transfers. In addition, our employees must make themselves aware of the local laws and regulations on export controls and customs before embarking on any business travel.

SGL Carbon ensures that its employees are aware of all of the relevant export compliance regulations and that export control delegates and select employees regularly undergo additional training. In this regard a new eLearning program has been developed on the subject of export controls. This was launched at the end of 2020 with almost 2,000 participants.

Please refer to the section on Compliance on page 14 for information on SGL Carbon's anticorruption activities and on doing business in line with regulations.

Products

Tailor-made products form the core of the top quality solutions, components and materials which we deliver to our customers and partners. Therefore, we have identified product quality, the environmental impact of our products and sustainable product innovation as central factors for our business. These aspects form the key foundations for our current and long-term economic success.

Product quality

SGL Carbon aims to achieve a high level of customer satisfaction by delivering constant excellent product and service quality, thus securing long-term business relationships. In 2020 controlling and monitoring product quality was the task of both "Quality Management" in the GMS business unit as well as the "Integrated Management System" in the CFM business unit. The global heads of both areas report directly to the head of their respective business unit. We have established monthly reporting for local site managers and business unit directors based on local and global quality performance indicators.

Since ultimately only the user can assess a product's true benefits, we evaluate the quality of our products based on customer feedback. In this regard the sales organizations in the business units conduct targeted customer satisfaction surveys on a regular basis.

In order to directly obtain an idea of the quality of the products we supply on an ongoing basis, SGL Carbon records customer complaints and the associated costs and evaluates these. In this regard, the customer complaint software, which GMS business unit has already been using for quite some time, has also been used in the CFM business unit since 2019. This IT solution allows customer complaints to be recorded, evaluated and

processed. In addition, the findings from and activities used in processing complaints and the associated customer dialogue are documented. This aims to sustainably rectify defects by implementing suitable activities and prevent them from occurring again in future. Ideally, complaints can be avoided completely.

SGL Carbon has been using the indicator of complaint costs/sales since 2018 to measure product and service quality as well as the associated customer satisfaction. Both of the indicators included therein relate exclusively to external customers.

KPI „Complaint Costs/Sales“ ¹⁾	2020	2019
GMS	0.22%	0.15%
CFM	0.04%	0.08%

¹⁾ Sales revenue with third parties

Corresponding assessments are performed throughout the entire production process in order to ensure high product quality and process deviations can be identified and eliminated at an early stage. High product quality is based on stable production and business processes, robust organization and high-performance systems. In order to constantly improve the quality of our processes and organization, we already started to introduce an Operations Management System (OMS) tailored to SGL Carbon in 2017. Both business units continued to drive the use of the OMS in 2020 as planned. This SGL-specific production system aims to standardize workflows, make systems within the organization uniform and to work out a common understanding at all of our production sites. In line with its principles this system unites and integrates various processes, expectations and requirements and gears our organization to successful, end-to-end management of our business processes.

SGL Carbon has once again published the “OMS Maturity Index” for 2020. SGL's sites were subject to a maturity assessment compared to the target of the six OMS elements (Strategic Orientation and Objectives, Organizational Structure, Corporate Culture, Performance Management, Shopfloor Management and Methods and Tools). In order to ensure objectivity and comparability, this evaluation was performed by meticulously trained SGL experts who were not from the specific location being assessed. All of the sites were assessed in 2019, however the scope of the program had to be reduced in 2020 over the short term as a result of pandemic-related restrictions. 26 sites were evaluated under the direction of the respective Opera-

tions Excellence Managers at the two business units. This evaluation was performed per site on a scale of 0-100, with 100 representing a perfect, theoretical value. Of the 26 sites evaluated in 2020, 18 were able to increase their OMS maturity level. The weighted average of the OMS maturity level for all of the sites according to the gross value added improved by 8 index points to 53 in 2020 [note: at the three sites in Madrid, Verdello and Yamanashi, for which the valuation could not be assessed in 2020 due to the pandemic, we have used the 2019 values to calculate the index]. An annual review is scheduled also for 2021. This aims to verify the progress of the OMS penetration. During the assessments, our experts identify strengths from which other sites can and should learn, and also uncover potential starting points for improvements.

OMS Maturity Index	2020	2019
Number of site assessments performed	26	29
KPI “OMS Maturity Index” ¹⁾ (Index)	53	45

¹⁾ 0-100. Weighted average of all sites (weighted against: gross value added)

Almost all of the sites in the SGL Carbon Group are already integrated in the respective business unit's global quality management system and certified according to the ISO 9001 Quality Management standard, which supports the system and organizational quality. In addition, in line with specific requirements there are also certifications according to ISO 14001 (Environmental Management), ISO 50001 (Energy Management), ISO 45001 or OHSAS 18001 (Occupational Health and Safety Assessment Series), AS 9100 (Quality Management in the aerospace industry) and IATF 16949 (Quality Management in the automotive industry).

Environmental product impact

Customers and other stakeholder groups increasingly expect that value chains are geared towards sustainability. It is therefore our aim to know the environmental impact of our products during production and also during their use cycle, and also to constantly identify options to optimize this environmental impact. We believe that this is a key aspect with regard to society's acceptance of our products and manufacturing methods. Reducing environmental product impact can lead to an improved product or a more advantageous solution for our customers, for example if the use of our product at the customer leads to energy being saved.

In many target markets, positive environmental impact when using or consuming our products are an important decision criterion. This includes, for example, the use of SGL composites in wind turbines to generate renewable energy, or also the increasing use of our battery and fuel cell solutions as part of future energy and mobility concepts. Many of our products have the potential to support the development of low CO₂ technologies [for example from increased use for photovoltaic, LED lighting, lightweight construction, or from increasing heat and energy efficiency]. In the mobility sector our light composite solutions help to cut energy requirements in the automotive and aerospace industries and can thus help to reduce CO₂ emissions in general.

We continued the structured evaluation of our product range with regard to environmental impact as planned in 2020. Our Innovation Team is responsible for these activities. This cross-functional committee consists of the technology managers of both business areas as well as the head of our Central Innovation. The Innovation Team has developed a catalogue of evaluation criteria which are used to analyze all of the product groups with regard to the environmental impact of their production and use or consumption at the customer and end user. This evaluation considers in particular the criteria of the resource-saving use of materials, recyclability, CO₂ impact and hazardous materials. In order to ensure consistent comparability, the evaluation criteria are based on the dimensions that we use to evaluate the sustainability of our product innovations.

This is processed in workshops spanning a range of different departments. The results are documented in a uniform manner. Through to the end of 2021 at least 95% of the product range [based on external sales revenue with third parties] is to be evaluated with regard to its environmental impact. A total of 60% of the product range was already assessed by the end of 2020 [all percentages relate to the percentage of sales with third parties for the products already evaluated compared to SGL Carbon's total external sales revenue with third parties]. The valuation progress was comparable in the two business units.

KPI „Progress in assessing the environmental impact of products“ ¹⁾

	2020	2019
Assessment outstanding	40%	82%
Assessment completed	60%	18%

¹⁾ Percentage of sales revenue based on sales revenue with external customers

Sustainable product innovation

SGL Carbon pursues target-oriented research and development both in its two business units and in Central Innovation. In addition to increasing economic profitability, these activities equally aim to continuously improve the sustainability of our products and processes.

In order to support these activities, in 2018 the Innovation Steering Committee introduced an annual portfolio process. As part of this process all of SGL Carbon's innovation projects are reviewed with regard to their sustainability. The Innovation Steering Committee is responsible for innovation activities at SGL Carbon. This ensures uniform implementation of the portfolio process across business units and Central Innovation.

All innovation projects are evaluated in terms of their environmental compatibility using four criteria which have been recognized as being material for our products and processes. These criteria are material efficiency in production and the ability to recycle the products, the importance of the external CO₂ impact [energy savings when using our products], the importance of the internal CO₂ impact [energy consumption when producing the products] as well as the use of hazardous substances in the product and the process. The Innovation Team is responsible for evaluating the projects. This assessment is then presented to the Innovation Steering Committee.

For the overall management of the innovation portfolio, the objectives are, as a rule, to include all of the projects in the systematic evaluation, to improve sustainability for the majority of our product developments, and to ensure that no project has a negative impact on sustainability. These targets were once again fully met in 2020.

89% of the projects assessed contributed to the improvement of sustainability. These were found in both of the business units and also in Central Innovation.

In addition to its own core development topics, SGL Carbon also works as a partner together with public research institutions and other industrial partners in order to improve the sustainability of its products over and above its own value added. One example of this is the "Algae Fiber Project". This project aims to use the industrial production of algae and their subsequent biochemical processing into raw materials to obtain CO₂ neutral

basic chemicals. This allows acrylonitrile, which is the key material used in producing carbon fibers, to be produced in a CO₂ neutral manner in future.

In addition to its own development topics, SGL Carbon supports open exchange to promote innovations, in particular in view of sustainable development. SGL Carbon regularly holds the Innovation Panel, a public event with lectures and discussions on current topics, however this was only held once in 2020 due to the Covid-19 restrictions.

Environment, Health & Safety Affairs

Responsibility for the environment as well as for our employees' health and safety is a key component of SGL Carbon's corporate culture. High standards in these areas are prerequisites for our Company's sustainable economic success. In our Code of Conduct and the EHSA (Environment, Health & Safety Affairs) Policy which has applied to all of our sites around the world since 2015, SGL commits to create safe and healthy working conditions for our employees and to minimize the impact our business activities have on the environment. A Code of Conduct for Suppliers and Subcontractors has also been in place since 2015. According to this Code they are obliged to behave legally, ethically and sustainably. In addition, as of 2020, our quality assurance agreement obligates key suppliers to uphold the applicable laws and directives for the environment and energy management. One of the key areas for cooperation between SGL Carbon and our suppliers and customers is the exchange of information. This aims to minimize risks when using chemical substances. In an internal standardized global system, we create relevant product information such as safety data sheets which we provide to our customers. We comply with the requirements of the worldwide regulations on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) at all relevant countries.

The central Corporate EHSA organization coordinates all group-wide activities for environmental protection and occupational health and safety, sets uniform standards and audits the progress in cooperation with local EHS representatives. As a rule, the sites are audited by Corporate EHSA every three years, more frequently after recurring incidents. It reports to SGL Carbon's Board of Management once per quarter, informing it of current developments.

Energy consumption and CO₂ emissions

The manufacture of carbon fibers and specialty graphite production processes require extremely high temperatures and are energy intensive. The majority of SGL Carbon's energy consumption is used for heat generation and the thermal cleaning of emissions. As a company using a large amount of energy, we have special responsibilities with regard to climate change and the environment, as the consumption of energy is also linked to emissions of greenhouse gases - in particular CO₂. - SGL Carbon's CO₂ emissions are primarily scope-1 emissions which are created during combustion processes, and scope-2 emissions which are caused by our electricity and steam consumption. In order to ensure profitability and also due to our responsibility towards the environment, we ensure that we constantly improve the energy efficiency of our processes. These account for a high proportion of production costs and, as a result, price fluctuations for energy costs can have both a positive and negative impact on earnings.

The business units and respectively the site managers are responsible for concrete implementation of energy reduction measures and projects. For this purpose, sites that make a significant contribution to the total energy consumption at SGL Carbon have an energy representative, who reports the status to the site or Legal Entity manager at least once per year. The EHSA Steering Committee is responsible for monitoring and directing energy management at key sites. In this regard, SGL Carbon's global energy representative reported on the status of local target attainment to this committee twice in 2020. The EHSA Steering Committee was composed of the business units' head of operations and was under the leadership of SGL Carbon's CEO. In 2021 it will be replaced by a comparable HSE Council Meeting, in which the company's Board of Management, the heads of the business units and the central areas as well as the Corporate EHSA Team will participate.

The top-level goal for energy management is to use all types of energy efficiently. For this reason, in 2018 SGL Carbon committed to reduce global energy consumption based on adjusted sales revenue by 1% each year and by 10% by 2027 compared to the 2017 consumption.

In doing so SGL Carbon is focused on energy-efficient equipment and process optimization. We have included this in our EHSA energy management policy and our Code of Conduct. In addition, we offer training activities at the ISO 50001 certified

sites and communicate energy management within the Company. In this way we want to ensure that our employees also develop an awareness of energy topics. They should have the necessary knowledge that will help them contribute to actively reducing energy consumption. Since December 2015 all of SGL Carbon's European production sites which make a major contribution to our total energy consumption have an ISO 50001-certified energy management system. By December 2020 the increased requirements in the ISO 50001:2018 standard have been successfully implemented and re-certifications were performed by the certification bodies DQS and DEKRA.

The ISO 50001-certified sites evaluate the implementation of the standard requirements in the annual management review as well as in regular internal and external audits. In 2020 a total of nine internal audits for the energy management system were performed for eleven sites by qualified internal auditors from other SGL sites. External audits are carried out at these sites at least once every three years by accredited certification companies.

For the sites with the worldwide largest energy consumption key data for specific energy consumption and also measures and projects to increase energy efficiency have been defined.

SGL Carbon also works together with external partners as part of its energy management. An example is the energy efficiency networks at our sites in Bonn and Meitingen. These are based on an initiative by the federal government and serve the voluntary, systematic and target-oriented exchange of experience among companies from one region or industry.

Before the global Covid-19 pandemic began, we held a workshop on the formation of complex energy indicators by a recognized external expert, and all of our German-speaking energy representatives were invited to attend this workshop in Meitingen.

The "Best Practice Workshop", which was also planned for 2020 at our Meitingen Site by our central unit EHSA, with participation of all of SGL Carbon's European energy representative could not be held as a result of the pandemic. In order to improve the overview of the large number of local energy efficiency activities, we created a central digital platform in which all energy savings projects for all ISO 50001-certified SGL Carbon sites are listed and updated once per quarter. This platform is used to transparently show the individual measures, the to-

tal potential of the current projects and those which are possible in the future, as well as the energy savings actually achieved.

As in previous years in 2020 we procured energy from renewable sources at our sites in Wackersdorf, Ort and Ried. In addition, this year we were also able to procure renewable energy at our site in Muir of Ord (Scotland). This has improved our contribution to reducing global CO₂ emissions.

As the result of constant efforts and the impact of the pandemic, energy consumption and CO₂ emissions were reduced in 2020 both in absolute terms and also compared to adjusted sales revenues.

Energy consumption and CO ₂ emissions ¹⁾	2020	2019	Change
Energy consumption			
in gigawatt hours (GWh)	1,166	1,409	- 17%
thereof oil and gas	421	488	- 14%
thereof electricity	498	628	- 21%
thereof steam	247	293	- 16%
Energy consumption in relation to economic output (GWh per €1.0m sales revenue) ²⁾	1.30	1.33	- 2%
CO₂ emissions ³⁾			
in thousands of tons (kt)	318	393	- 19%
thereof direct	77	90	-14%
thereof indirect	241	303	- 20%
CO ₂ emission in relation to economic output (kt per €1.0m sales revenue) ²⁾	0.36	0.37	- 3%

¹⁾ Data include all fully consolidated subsidiaries

²⁾ Adjusted sales revenue (excluding price, currency and other special effects). The adjustment of the previous year's figure results from the use of a rolling base year

³⁾ The calculation of CO₂ emissions is based on "UK Government GHG Conversion Factors for Company Reporting" of the Department for Business, Energy & Industrial Strategy, Gov. UK for direct emissions (Scope 1) and steam (Scope 2) as well as on "EMISSION FACTORS 2020" of the International Energy Agency (IEA) for indirect emissions (Scope 2)

Health and safety at work and health protection

SGL Carbon relies on having a highly performing workforce for its entrepreneurial success. We regard protecting our employees' health and safety as being an ethical obligation with a high entrepreneurial value. We have set out binding requirements for all our employees in our Code of Business Conduct and Ethics and our EHSA Policy, which applies worldwide. The Company attaches great value to the corresponding standards at its

business partners and considers occupational health and safety aspects when selecting suppliers. The Code of Conduct for suppliers and subcontractors requires that these must ensure their employees' health and safety in their workplace and set up a management system for constant improvement.

The EHSA Steering Committee was responsible for monitoring and directing the occupational health and safety activities (see "Energy consumption and CO₂ emissions"). Exchanges take place between our Corporate EHSA organization and local EHS managers on important issues in our global EHSA network. This aims to ensure that all the statutory regulations are upheld and that corresponding systems are put in place at the respective sites.

The meeting planned for 2020 at our Meitingen site by our Corporate EHSA organization, with participation of EU site and local safety managers, could not be held as a result of the Covid-19 pandemic. In this regard a virtual European information exchange has been created on safety solutions.

SGL Carbon's target is consistently preventing work-related injuries and illnesses. We comply with the relevant national acts of law, European regulations and internal policies in all our production processes. It is the responsibility of the Company's management and each individual employee to ensure safe working conditions. The Corporate EHSA organization supports the business units in establishing and improving management systems for health and safety in the workplace. The respective business units and site management are responsible for implementing these.

SGL Carbon uses various incentive systems to actively involve its employees in preventing accidents and takes their ideas for reducing the risk of accidents into account. For example, an annual Safety Award is issued to sites where there were no safety incidents that result in lost time injuries. Ten sites were honored with this award in 2020 for 2019. The topic of occupational health and safety is promoted by the annual targets at many sites.

If an accident at work does happen, this is recorded in the group-wide Incident Management System. SGL Carbon uses a

systematic process to investigate incidents, establish proposals for improvement and in doing so takes into account solutions that have already been effective in preventing accidents at other SGL sites. Once per month the Corporate EHSA organization issues a safety report with relevant statistics to the Board of Management, managers of the business units and of the sites as well as the EHS responsible. This allows SGL to evaluate compliance with the EHSA policy and in the case of negative trends implement countermeasures immediately.

In order to reduce accident frequency, SGL Carbon constantly implements measures at all sites worldwide. For example, in 2020 specific improvement activities tailored to the respective sites were initiated and performed at Lavradio and for the Gas Diffusion Layer (GDL) product segment at Meitingen.

In addition, SGL Carbon conducts employee training sessions. Management also must ensure that the employees in their area of responsibility receive training and support for safety issues. In this way we aim to increase our employees' awareness of safety-relevant aspects and actively prevent accidents. At present, no data is collected on the number of training sessions and the number of participants.

The aim is also to improve on the existing safety activities. In 2020 the target frequency rate was specified as maximum 3.10 accidents per million worked hours. This includes accidents incurred by SGL's employees and external contracted employees¹ with at least one day lost after the day of the accident. This target was not reached in 2020 with an actual result of 4.15. A target of 3.40 accidents/million worked hours was established for 2021. The severity rate target was not achieved with a value of 267 [target in 2020 was 150].

Process safety

Events such as accidents, fires or explosions could lead to longer periods of production downtime and lower quality at SGL Carbon and cause substantial damage to people and the environment. These could result in claims for compensation and restoration of damage. The goal is therefore both to ensure the safety of production processes and achieve continuous improvements of our safety culture.

¹ Employees are all permanent and temporary SGL employees and external contracted employees under the direct supervision of SGL. Contractors working on an SGL site are responsible for the Safety of their employees and are excluded from calculation of Incident Statistics. The data includes all fully consolidated subsidiaries.

As part of its entrepreneurial due diligence, SGL Carbon has a global Process Safety Policy and management system in place since 2017. The system includes various elements such as process safety analyses, investigating accidents and the management of countermeasures. Process safety was also addressed at the quarterly meetings of the EHSA Steering Committee (see "Energy consumption and CO₂ emissions"). In addition, there is an incident management system for occupational and process safety (see "Health and Safety at Work") in which we precisely classify every accident. This should determine whether the incident was due to problems with occupational or process safety. Since 2002 SGL Carbon has been using a group-wide standardized Risk Management System (RMS) in order to minimize risks in its production processes. In doing so, we analyze the extent and hazard potential from crises situation and calculate their economic consequences such as the costs of remedying environmental damage or preventing lost sales as a result of production downtime. For each main risk one or more measures for risk mitigation are identified and these are implemented if required.

SGL Carbon performs annual audits in cooperation with an insurance company, which include a safety analysis of processes and equipment. The results are evaluated and documented. If necessary, concrete improvement measures are put in place. As a result of the travel restrictions due to the pandemic, in 2020 a total of eight sites were for the most part audited virtually. A total of 104 improvement measures have been identified since 2019 based on the available reports. Since then, 60% of the improvement activities have been completed. In 2020 a total of four incidents were reported by SGL's global sites, which were caused by fire, explosion, natural disasters, acts of sabotage and/or other business interruptions and which led to a process interruption of at least one day or damage to property of at least €50,000.

Resource management (waste and water)

As part of SGL Carbon's business activities, waste carbon and various residual materials are produced. Both carbon as well as the residual materials produced in the production processes are effectively recycled. SGL's primary use of water is for cooling production equipment.

At all sites worldwide, SGL Carbon commits to comply with all applicable regulatory requirements and to establish effective management processes and continuous performance improvements for its management of resources. We pursue the

objective of using resources efficiently and avoiding impacting the environment as far as possible. In this way, water consumption and the production of waste should be constantly reduced. Our principle for waste is: avoidance is better than recycling and recycling is better than disposal. Waste that cannot be avoided can often be reused in other products or at other sites. For example, recycled carbon fibers can be used as fleece textiles for automotive production and some feedstock sites in the GMS business unit reuse many of the by-products. SGL Carbon uses water carefully and uses secondary circuits and cooling equipment wherever this makes economic sense. Water that does not come directly into contact with the production process is not contaminated and can be partially discharged into rivers after use.

SGL Carbon has set out how it deals with resources in the policy on EHSA training. The Code of Conduct for suppliers and subcontractors also includes information on waste. It obligates us and our suppliers to obtain the necessary permits to recycle, and to avoid waste and release of hazardous substances into the environment. Once per month, together with the local EHS officer, the Corporate EHSA organization collects data from all of the manufacturing sites, which quantifies the use of resources and generation of waste. Water consumption is reported for each water source. Waste data is collected for both hazardous and non-hazardous waste.

In 2020 we once again reduced our water consumption both in absolute terms and also based on adjusted sales revenue. This is primarily due to a project at our Chedde site, in which the circulation and functioning of water inlet were improved. These savings are sustainable. Overall, it was possible to reduce water requirements once again by 20% in 2020.

The amount of waste related to adjusted sales revenue has increased compared to 2019.

Resources ¹⁾	2020	2019	Change
Water requirement			
Total [millions m ³]	5.92	7.42	– 20%
thereof from Company wells	4.12	4.20	– 2%
thereof from rivers	0.67	1.80	– 63%
thereof from public water supply	1.13	1.42	– 20%
Water requirement in relation to economic output [m ³ per €1,000 in sales revenue] ²⁾	6.6	7.0	– 6%
Waste volume			
in thousands of tons [kt]	23.7	26.3	– 10%
thereof hazardous waste	3.7	4.6	– 20%
Waste volume in relation to economic output [t per €1.0m sales revenue] ²⁾	26.5	24.8	7%

¹⁾ The data includes all fully consolidated subsidiaries

²⁾ Adjusted sales revenue [excluding price, currency and other special effects].
The adjustment of the previous year's figure results from the use of a rolling base year

Employee affairs

SGL Group has a total of 4,837 employees at 31 sites in Europe, Asia and America. Their dedication, competence and performance are critical factors for the company's success. Therefore, SGL aims to acquire the best talents, and to specifically further develop its employees and enhance their loyalty to the company. In addition to numerous opportunities for training and continuing professional development, SGL also relies on a varied, fair and respectful working and leadership culture. The company offers all its employees the possibility to develop their full potential. This is set out in the Code of Conduct as well as the SGL Competency Model.

At SGL Carbon, the role of Human Resources is understood according to the so-called HR-Business Partner Model, that is to say as a strategic partner for the business units and an advisor for management. HR activities span inclusion in strategic entrepreneurial decisions through to operational HR processes, which is reflected, in organizational terms, in the fact that there are HR Business Partners at various levels – globally for the business units, the central R&D department (Central Innovation), and the Corporate Functions, and locally for the individual sites.

HR management with this structure is responsible for a large number of different tasks:

- Managing HR processes such as hiring and personnel administration, including labor law issues
- Qualifying, coaching and training management and employees
- Defining remuneration programs for senior management based on market standards and performance
- Coordinating international employee assignments
- HR-related reporting to the company's management
- Contact for the company's management for questions of personnel planning and staffing
- Positioning SGL Carbon as an attractive employer in the market
- Efficiently managing the HR impact of change processes

In addition to efficiency, customer proximity and service quality are increasingly becoming central criteria when structuring and implementing HR processes. Given this background, SGL Carbon prepared for the introduction of a comprehensive, cloud-based IT solution for these processes in 2019 and 2020. The planned go-live for the IT system has been put back to April-June 2021 due to additional challenges arising from embedding the new system in the existing SAP landscape as well as staffing bottlenecks. These bottlenecks arose both in the core project team as well as in the local HR departments to be involved and were due to additional tasks resulting from both management of the Covid-19 pandemic and also in connection with the reorganization activities which started in the second half of 2020.

HR reports regularly directly to the Board of Management. The Head of HR meets personally with the Board of Management on a regular basis. As a result, the Board of Management is very aware of HR issues.

SGL Carbon constantly observes and reduces potential HR risks. This includes the strategic importance of recruiting resulting from the increasing dearth of specialists. The same applies to our staff retention efforts serving to combat high employee fluctuation, and thus also keeping expertise in the Company. Forward looking competency management also plays a key role, identifying the competencies which will be required from senior and middle management in future and promoting these. In addition, risks can also result from employees' changing requirements and wishes. For Germany, we utilized an external employee consultancy service in the year under review to record these whereas globally we use our employee survey, performed for the first time in 2018 and expected to be repeated in 2021.

Diversity and equal opportunities

The variety of its workforce constitutes a strategic advantage for SGL Carbon: The employees' different competencies and perspectives reinforce the company's ability to innovate and enhance its position as an attractive employer. This variety helps us to beat the competition for highly qualified specialists. It also allows to combat the challenges resulting from demographic change.

SGL Carbon aims to establish a non-discriminatory work and leadership culture in which all employees contribute their personal and specialist expertise, ensuring they have equal opportunities for career success and fair pay - irrespective of their age, race, (ethnic) origin, skin color, sex, sexual orientation or identity, religion, beliefs or disability. SGL's Code of Conduct is a key pillar in its commitment to diversity and equal opportunities. In our Code of Conduct, we back a diverse and integrated working environment, characterized by trust, openness and respect. Disadvantages resulting from the issues set out above [age, etc.] are not tolerated. "Valuing diversity" is also anchored in the SGL Competency Model as one of six components. The model includes vital, globally valid behavior requirements for middle and senior management. We use local collective agreement systems or similar systems in order to ensure non-discriminatory remuneration. In areas not covered by collective agreements, the recognized analytical job evaluation method according to Hay is applied across the globe.

In order to promote international exchange and knowledge transfer within the Company, SGL Carbon deploys employees to different locations worldwide. These international assignments are generally from one to five years. In 2020 the Group employed expatriates in China, Germany and the USA.

Internationality	2020	2019
Total workforce	4,837	5,127
thereof Germany	2,249	2,341
thereof rest of Europe	1,328	1,461
thereof North America	743	829
thereof Asia	517	496
Number of expatriates	4	6

Percentage of women	2020	2019
Total workforce	17%	17%
thereof Europe	17%	17%
thereof North America	20%	20%
thereof Asia	16%	17%
Senior management	17%	18%
Middle management	18%	18%

Age structure	2020	2019
< 30 years	16%	19%
30 to 50 years	55%	53%
> 50 years	29%	28%

Employability and development

In competition for the best talent, top-quality for training and continuing professional development is of key importance. This type of offering not only helps to acquire junior staff and specifically further developing them. It is also the key to retaining experienced employees and to keeping their knowledge in the company for its long-term success.

Our aim is to maintain our employees' employability and to promote their professional and private development. Consistent personnel development is a fixed part of the company's philosophy. It reinforces the company's competitive ability, taking over responsibility for its employees.

Vocational training has always played an important role at SGL Carbon. The company's vocational training offering spans nine technical and commercial professions in Germany as well as six dual study programs.

In order to enthuse school pupils for technical professions, SGL Carbon has been a member of the Initiative Junge Forscherinnen und Forscher e.V. since 2010 as one of its founding members. We once again supported this initiative in 2020 with both staff members and financing to the tune of € 10,000.

SGL Carbon offers its employees opportunities for their personal and professional development throughout their entire career. This includes training and continued professional development, expanding tasks and responsibilities within a specific position, as well as changes of position. In regular talks, managers discuss concrete individual development activities such as training programs, coaching or special tasks with employees.

In addition to local training offerings at individual sites, we enable specialists and managers to participate in the Corporate Training Framework. This interdisciplinary training offering passes on knowledge for communication, people management, project management, sales proficiency and self-management (for example resilience). The strong downturn in participant numbers compared to the previous year is due to pandemic-related cancellations and non-participation in face-to-face events, and also to restricted training activities due to the reorganization activities in the second half of the year.

In its Leadership@Work concept SGL specifically prepares leaders and experts for further-reaching management tasks. The program is the key element in SGL Carbon's internal management development activities. It is characterized by the systematic use of self-reflection and feedback – for example from the use of 360° feedback, based on the SGL Competency Model. In addition, this series is very close to the real challenges faced in management work. This is achieved using so-called action-learning elements and in particular also by using mentors. These are select top managers at SGL which support the groups as co-trainers and coaches. More than 1,300 employees have already participated since Leadership@Work was introduced in 2001. As a result of the Covid-19 pandemic, implementation of this program was initially halted in March 2020, as was the case for other training activities, which means that only one Leadership@Work Group could be trained in 2020.

The activities are supplemented with regular potential analyses. As part of the annual talent management process, which is normally performed every year, SGL Carbon identifies and promotes talented staff. In so doing, the employees' management potential is assessed. In the second instance, we also evaluate potential for a specialist career. If necessary, the HR managers also discuss concrete target positions with the respective managers and employees, and plan corresponding development paths. As a result of the various organizational changes in SGL Carbon's top management in 2019, and also the new members of the Board of Management who started during the course of 2020, the talent management process was once again put on hold during the year under review.

Apprenticeships and dual study programs	2020	2019
Total apprentices	97	102
- Site Meitingen	69%	57%
- Site Bonn	29%	39%
- Site Limburg	2%	4%
- Site Willich	0%	0%
Number of professions for apprentices	9	10
Number of apprentices taken over	24	33
Number of dual study programs	6	5

Personnel development and talent management	2020	2019
Number of participants in the qualification portfolio "Corporate Training Framework"	19	184
Number of participants in the management development program "Leadership@Work"	6	32

Attractiveness as an employer

It is becoming increasingly important for companies to be perceived as an attractive employer. This is due to factors including the lack of specialist staff, which makes recruiting employees more difficult. A wide variety of factors play a role in making an employer attractive. These include interesting opportunities for entering the Company and careers, attractive remuneration, family-friendly working hours, as well as an appreciative leadership and corporate culture.

SGL Carbon wants to maintain its attractiveness as an employer and expand this if possible, in order to acquire specialists and talents with future-proof potential and also to bind these employees to the Company over the long term. This was one of the ideas behind performing a group-wide employee survey for the first time in 2018. During the year under review, as part of the transformation project, a survey was performed among top and middle management members, and as a consequence of this a series of activities to promote a performance enhancing corporate culture were put in place under the title "Organizational Health". It is planned to survey all employees once again in 2021.

We have enjoyed a successful presence with our own brand as an employer since 2008. Following the launch of our new corporate brand in 2018, we also fundamentally redesigned our employer brand – closely linked to the new corporate brand. As part of its university marketing, we offer students various op-

opportunities for combining academic theory with business practice - including internships, working as a student, and theses. As a longstanding member of the "Fair Company" employer initiative, we undertake to offer students top-quality learning at fair conditions.

Our central research and development department Central Innovation plays a key role in contact between our Company and universities. During the period under review, this department employed a total of 22 students from five different countries, and around 23% of this figure were female. In addition, this department supported ten bachelor and master's theses as well as dissertations in the reporting year.

As part of our recruiting, in 2020 we continued our contacts with potential applicants in social networks that we started in 2017 (Active Sourcing). During the reporting year this recruiting channel was used for a total of six positions in Europe.

The recruiting process is already mostly standardized in Germany, the USA and China. Our medium-term target is to standardize the process all over the world as far as this is possible and expedient considering the legal and cultural framework conditions in the individual countries. The first step in this direction is going to be taken in 2021 with the launch of a cloud-based IT solution in several countries.

We offer our employees in Germany a company pension scheme as a voluntary component. This offers additional financial protection for the duration of their pension.

During the year under review, SGL Carbon also participated in the progress index for achieving a work-life balance, developed as part of the corporate program "Family as success factor" initiated by the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth. By participating in this program, SGL Carbon clearly shows that the Company lives a family-conscious corporate culture, and that it is dedicated to achieving a balance between family life and work. This was also the aim of the overall works agreement concluded for Germany in 2017 for "Alternating Teleworking". This agreement allows employees to work from home for up to 40% of their working hours. Written agreements in this regard as stipulated in the overall works agreement were concluded with a total of 92 employees by the end of 2020. As part of its handling of the Covid-19 pandemic, we enabled and encouraged administrative employees to work from home in agreement with their respective superiors and if the respective tasks and activities allow this.

In particularly challenging professional or private situations, SGL employees in Germany also benefited from external advice in 2020. The "Employee Assistance Program" (EAP) offers free, and if requested anonymous help with issues such as caring for dependents, childcare, finances, careers and health, 24/7. Employees can use this service in person, by phone or online.

With regard to company healthcare management, employees in Germany can use various offerings decentrally, i.e. at an individual site level. For example, a course on stopping smoking and flu jabs were offered in Meitingen during the year under review. Flu jabs were also offered in Bonn, as well as first aid training courses. In total, as a result of the work protection activities due to the pandemic, fewer company healthcare management offerings were performed in the year under review compared to 2019.

Number of staff	2020	2019
Number of employees	4,837	5,127
Number of new hires (worldwide) ¹⁾	282	361
- thereof men	79%	76%
- thereof women	21%	24%
Fluctuation rate (worldwide) ²⁾	8.3%	7.3%
- Europe	6.4%	5.7%
- North America	18.4%	13.4%
- Asia	4.9%	8.0%

¹⁾ Exclusively includes "real" new hires of employees with non-limited term contracts, i.e. not taking over temporary employees or removing limited terms on employment contracts

²⁾ Based on the average headcount, includes employees leaving the Company voluntarily and involuntarily

Part-time employment and reconciliation of work and family	2020	2019
Percentage of part-time employees in Germany ¹⁾	5.0%	4.9%
Male part-time employees (Germany) ¹⁾	1.6%	1.6%
Female part-time employees (Germany) ¹⁾	20.9%	20.0%
Number of employees who used the advice service (EAP)	1.6%	2.1%

¹⁾ Based on a balance sheet date of December 31, excluding marginal employment employees, students and temporary workers

Corporate citizenship¹

As a so-called corporate citizen and a company acting responsibly, corporate citizenship is a key issue for SGL Carbon. That is why the Company is particularly involved in projects in the vicinity of its own sites and therefore primarily supports projects that have a local or thematic connection.

SGL Carbon's entire corporate citizenship is based on our Sponsoring and Donations policy, revised in 2017. This sets the group-wide standard and is binding for all employees of the Company and its subsidiaries, for business partners, shareholders and the members of the Board of Management. This ensures that the selection and support of projects is transparent and follows uniform regulations. Accordingly, among others, charitable institutions as well as initiatives and projects that serve to improve quality of life are in focus.

The management of the respective local site can decide on supporting specific projects, initiatives, institutions or associations for up to an individual amount of €5,000. If the amount to be sponsored or donated exceeds this amount, the Board of Management must provide its approval. In addition, the Capital Markets & Communications department must be informed. The policy also regulates the concrete criteria for the award. This is coupled with instructions on the operational implementation of donation projects for the employees on-site. The Capital Mar-

kets & Communications department is responsible for monitoring the sponsoring/donation activities. No violations of the policy were ascertained in the year under review. As in previous years, in 2020 SGL Carbon also focused on promoting science. These activities were controlled by the global research department Central Innovation. The awarding of various prizes is intended to serve as an incentive for scientists and support research into new fields of application for carbon as a material.

During the period under review, the SGL Award was issued for the best thesis at the faculty of engineering at the Technical University of Munich and a prize for the Nano School Competition held by the Cluster Nano Technology from the Bavarian Initiative for New Materials. In addition, representatives from the Company volunteered in juries to select winners, for example in the prize board of the Deutsche Gesellschaft für Materialkunde.

As a co-founder of the "Initiative Junge Forscherinnen und Forscher e.V." (IJF - Initiative for young researchers), SGL Carbon also offers comprehensive support for scientific education - from kindergarten through to universities. In 2020, SGL employees again supported the initiative with donations and active participation for organizational activities. Promoting university education is also a key issue. For example, last year SGL Carbon once again supported different universities like the Technical University in Munich.

¹ We report voluntarily on the subject of local communities. The chapter on Corporate Citizenship, which presents this subject, does not form part of the separate non-financial Group report.

SGL Carbon in the Capital Markets

SGL Carbon's share price was volatile during the course of 2020, closing the year at €3.59

Throughout the world, capital markets were particularly affected by the development of the Covid-19 pandemic in 2020. The German DAX began the year at 13,385 points and edged higher early on in the year, before reaching a new all-time high of 13,795 points in February. As the coronavirus spread increasingly throughout Europe, however, public life in Germany was severely restricted in March. Schools, kindergartens and the retail sector were largely closed, and strict limitations were placed on everyday activities like going out and socializing. In light of the above, the DAX declined rapidly, reaching its annual low of 8,441 points on March 18. Although the equity market managed to recover quickly, the real economic development of most companies did not match that recovery, however. In addition to the expansive fiscal policies pronounced by the German state and the very loose monetary policies maintained by central banks, the reasons for the strong recovery of the DAX also included decreasing viral infection rates in Germany and, accordingly, hopes of an economic recovery. Market demand was also buoyed by the lack of alternatives to the equity market. News about the evolution of the virus shaped the rest of the year and the market sometimes reacted with a high degree of volatility. Nevertheless, following the sharp decline it took in March, the DAX showed a generally positive trend. In late fall, the second wave of Corona infections, the US presidential elections at the beginning of November, and uncertainty stemming from the UK's pending departure from the EU, all put selling pressure on the stock markets once again. Subsequently, however, the DAX rallied at the end of the year, a development that was mainly accelerated by advancements in the development and approval of vaccines. Finally, on December 29, the DAX reached a new all-time high of 13,903 points, before closing the year at 13,719 points. During the course of the year 2020, the DAX thus increased by just under 4%.

The SDAX stock index, in which SGL Carbon was listed until March 20, 2020, increased by 18% during the year under review.

Key figures for SGL Carbon SE shares	2020	2019
Number of shares at year-end	122,341,478	122,341,478
High (€)	4.94	8.24
Low (€)	2.23	3.65
Closing price at year-end (€)	3.59	4.74
Market capitalization at year-end (€m)	439.2	579.9
Average daily turnover in Xetra trading (number of shares)	240,848	203,701
Free float at year-end (%)	approx. 46	approx. 46
Dividend per share (€)	-	-

The euro-dollar exchange rate was characterized by higher volatility in 2020 than in the previous year, starting January at USD 1.1212, and peaking at USD 1.0688 against the euro on March 20, 2020. After that, the US dollar depreciated further against the euro due to falling interest rates in the US and a relaxation of pandemic-related measures, which reduced the importance of the US dollar as a safe haven, as well as more rapidly growing indebtedness in the US compared with the euro zone. On December 30, 2020, the US dollar reached its low for the year of USD 1.2298 per euro. The euro-dollar exchange rate closed the year at USD 1.2216.

Share price performance



Declining share price due to Company and pandemic-related factors

During the first three months of 2020, all three German indices showed a downward trend, which could largely be attributed to mounting uncertainty regarding the emerging Covid-19 pandemic. On average, the indices fell by about one third during that period. SGL Carbon's share price reacted slightly more to the uncertainty than the superior indices, decreasing by about 50%. Announcements made by SGL during that period – concerning a major order for battery cases for a North American customer in January 2020, the inauguration of a new building for graphite-based automotive components at our site in Bonn, also in January, and being named 'Supplier of the Year' by Hyundai in February – all drew little attention in an unfavorable capital market environment. The announcement of Dr. Torsten Derr's appointment as CEO in February met with some positive reception on the market.

The negative reaction of SGL shares to the decision of Deutsche Börse AG on March 4 to remove SGL Carbon from the SDAX on the next chaining date got lost in an overall stock market that was in sharp decline due to the Corona pandemic.

Our share price's reaction to the net result of SGL Carbon for 2019, which was published on March 12, was cautious. SGL's downgrade from the SDAX, which became effective on March 23, led to an increase in our share price, borne by a buoyant overall market. The suspension of our forecast for fiscal year 2020 on April 1 as a result of the pandemic had comparatively little impact on our share price.

The announcement published on April 28, 2020, that Dr. Torsten Derr would begin his mandate as CEO on June 1, 2020, one month earlier than originally agreed, had a positive effect on our share price, which increased by more than 5%. Subsequently, the first quarter report released on May 14, 2020, had a very positive impact on our share price, which gained about 15%, as the potential negative effects feared in connection with the Covid-19 pandemic were not reflected in our earnings.

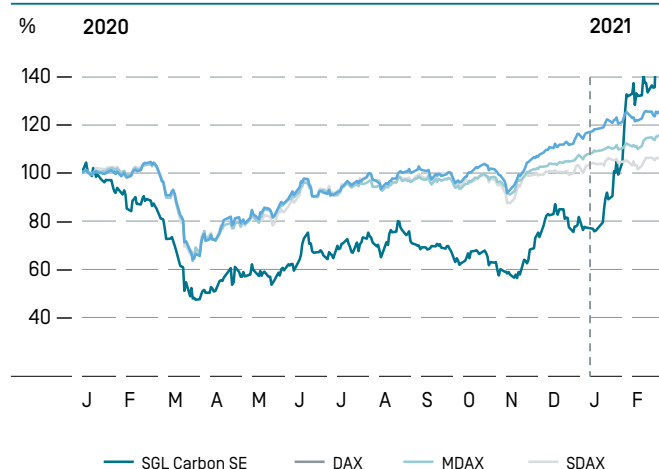
The reaction to an ad-hoc announcement made on July 28, 2020, concerning the resumption of our business forecast for 2020, in particular due to the foreseeable impact of the Corona pandemic, was only slightly negative. Our second quarter report published on August 10, which reflected the noticeably negative impact of the pandemic on SGL Carbon's business, led to a decrease in our share price of about 10%, however.

The share price reacted nearly unchanged to the appointment of Thomas Dippold as Chief Financial Officer, which was announced on August 17, 2020. Although originally scheduled to begin his mandate as CFO on December 1, the fact that he already assumed his duties as a member of the Board of Management on October 15 was viewed positively by the market. In the same month, on October 30, 2020, the Company also informed the market via an ad-hoc announcement about depreciation to fixed assets in the amount of €80 - €100 million. The basis for that depreciation was SGL's provisional new five-year forecast, which anticipated lower cash flow in the CFM reporting segment, particularly from our higher-margin automotive business, while our wind energy business, which has lower margins, stood to gain in importance. Not least as a consequence of that development, the Board of Management agreed on a restructuring program. Overall, our share price decreased by about 5% as a result of those announcements.

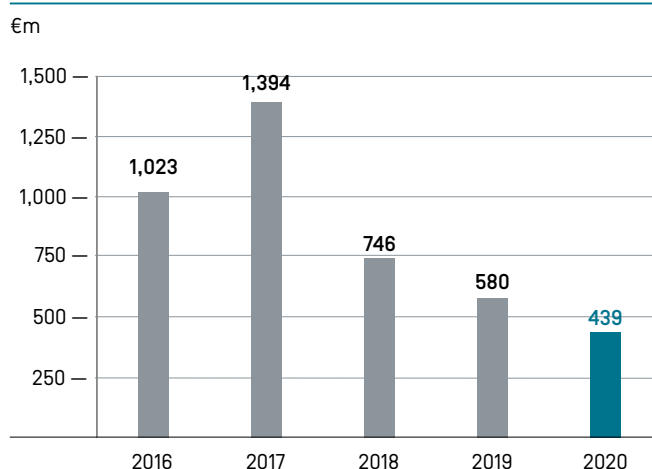
Our results for the first nine months of fiscal year 2020, which were published on November 12, had a slightly positive impact on our share price, which was amplified in the following days in part due to the market's reaction to share purchases made by both of the new members on the Board of Management. In total, SGL Carbon's share price increased by over 30% by the end of November.

SGL Carbon shares recorded an annual high of €4.94 on January 2, and an annual low of €2.23 on March 20, 2020. During the following seven months, our share price fluctuated between €2.50 and €4.00. The SDAX increased by about 60% during the same period. It was only after the disclosure of our figures for the first nine months and the positive reactions to our new management and initiated restructuring program that our shares began to rally toward the end of 2020, finishing the year at €3.59. Despite increasing prices toward the end of the year, however, our share price fell by just under 25% overall over the course of 2020, due to the factors mentioned above. The SDAX share index increased by 18% during the same period.

Relative share price performance



Market capitalization



Market capitalization and index ranking reflect decrease in share price

Market capitalization decreased during the course of 2020 in accordance with the negative development of our share price. After reaching €579.9 million in the previous year, market capitalization was down to €439.2 million at the end of the reporting period. As of December 30, 2020, the free float market capitalization of SGL Carbon SE was 210.95 million, which put the Company in 188th place in the index rankings as calculated by Deutsche Börse AG, after coming in at 168th place in the previous year. Deutsche Börse calculates the index rankings using the average volume-weighted share price over the 20 days preceding the respective reference date. The number of shares outstanding remained unchanged during the past year, at 122,341,478 shares.

Stable shareholder base

SKion GmbH, the investment company held by Susanne Klatten, remains the largest shareholder in our Company with a stake of approximately 28.5%. In addition, BMW AG and Volkswagen AG hold the following shareholdings subject to disclosure requirements, based on the respective voting rights announcements and other notifications:

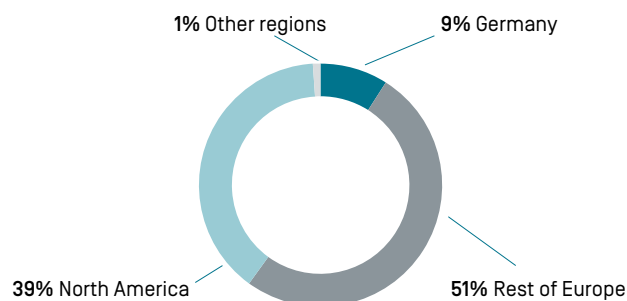
BMW AG	October 15, 2014 ¹⁾	18.44%
Volkswagen AG	February 6, 2018 ²⁾	7.41%

¹⁾ Date of most recent voting announcement

²⁾ Other notification

In total, these anchor investors hold approximately 55% of our share capital and thus contribute to the stability of SGL Carbon. On the other hand, this also leads to a relatively low free float, which can often contribute to high share price volatility due to the relatively low trading volume. Institutional investors make up for about 11%. As a result, the free float amounts to approximately 45%.

Geographical distribution of institutional investors



According to a shareholder identification exercise carried out in February 2020, the geographical distribution of institutional investors was as follows: about 9% of our shares are held by investors in Germany, 51% in the rest of Europe, and 39% in North America. Other regions, such as Asia, the Middle East and South America, account for 1% of our shareholder base.

Business situation necessitates continued dividend suspension

Due to the accumulated losses of our parent company SGL Carbon SE in fiscal year 2020, the Company has no capacity for the distribution of dividends. Implementing planned measures to improve our earnings and subsequent growth initiatives will allow our Company to operate more profitably on a sustainable basis. Only then will the payment of earnings-related dividends be possible.

2020 Annual General Meeting

For public health reasons based on the statutory regulations to combat the effects of the Corona pandemic, the Annual General Meeting of SGL Carbon SE was held virtually without the physical presence of shareholders, in accordance with Article 2, Section 1 [2] sentence 1, [6] of the Act to Mitigate the Consequences of the COVID-19 Pandemic in Civil, Bankruptcy and Criminal Procedure Laws [COVID-19 Act]. The Annual General Meeting was broadcast using a password-protected AGM internet service, through which approximately 320 shareholders and guests followed the Annual General Meeting in real time.

Via the AGM internet service, shareholders could also issue or revoke powers of attorney, exercise their voting rights by postal

vote or have their voting rights exercised by a proxy nominated by the Company in accordance with the instructions given by them, as well as appeal against resolutions adopted at the Annual General Meeting.

30.89% of the Company's total share capital of €313,194,183.68, divided into 122,341,478 no-par value shares, was represented at the virtual Annual General Meeting by the proxy nominated by the company. In addition, voting rights for 35,090,988 no-par value shares, equating to a further 28.68% of the Company's share capital, were exercised by valid postal votes. Consequently, voting rights were represented for a total of 72,810,877 no-par value shares, corresponding to 59.51% of the Company's registered share capital. All items on the agenda were approved by a large majority.

All questions submitted in due form by shareholders prior to the Annual General Meeting were also answered by the Board of Management during the virtual Annual General Meeting.

The speech given by Dr. Michael Majerus, as well as the introduction of new CEO Dr. Torsten Derr, who was elected as a new member of the Board of Management on June 1, 2020 and appointed as Chief Executive Officer as of the same date, were transmitted to the public via SGL's website.

The speech, introduction and all voting results are available to shareholders and other interested parties on our website (www.sglcarbon.com/en, under "Company/Investor Relations/Annual General Meeting"). The next Annual General Meeting of SGL Carbon SE will take place on May 21, 2021.

Intensive communication with the capital markets

As of the middle of February 2021, SGL Carbon shares were covered by a total of eight German and international analysts (prior year: 12). Four analysts issued an underperform or reduce recommendation, and four analysts issued a hold or neutral recommendation (as of mid-February 2021). The analysts' investment recommendations reflected a broad spectrum of price targets. On February 15, 2021, our shares closed at €7.35, while the analysts' price targets ranged from €2.50 to €3.91.

We have provided a summary of the analysts who regularly rate SGL Carbon on the Investor Relations section of our website, under the "Share" menu item.

Analyst coverage ¹⁾

Alphavalue
Bank of America
Berenberg
Commerzbank
Deutsche Bank
HSBC
Kepler Cheuvreux
Landesbank Baden-Württemberg

¹⁾ As of February 15, 2021

SGL Carbon informs all capital market participants in a transparent, timely and comprehensive manner about the Company's current business position and future prospects. Due to the pandemic situation in 2020, many discussions with investors could only be held online. In spite of the challenging conditions, over 250 individual discussions were carried out with analysts and investors both in Germany and abroad. Above all, the focus of those discussions was our restructuring program, new management team, the impact of the Covid-19 pandemic on our business, and problems in the CFM business unit, in particular as a result of the writedowns carried out in October 2020. New major orders from automotive customers such as for battery cases and the development agreement with Solvay were also discussed thoroughly. Another topic of discussion was the sustainability of SGL's portfolio, as well as planned capital expenditures and their financing.

As usual, capital market conferences and roadshows were our main forums for intensive dialog with institutional investors. As a result of the Covid-19 pandemic, all conferences and roadshows took place virtually as from the spring of 2020. All in all, SGL Carbon participated in 12 investor conferences in 2020. One of the other ways in which we provide capital market participants with timely and comprehensive information is by holding conference calls during which SGL Carbon's Board of Management elaborates on the interim or annual reports that were published that morning. These conference calls are broadcast live through our Investor Relations website and are available as recordings afterwards.

The Investor Relations section of our website offers a wealth of information aimed primarily at retail investors and interested third parties. In addition to our annual and interim reports, further materials such as presentations, press releases, and ad hoc announcements can be found there. All notifications relating to managers' transactions and voting rights are also available online. Anyone who wishes to receive electronic versions

of our financial reports and investor relations press releases may sign up for our email distribution list.

Key data of SGL Carbon SE shares

Trading venues	Xetra; Berlin, Düsseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart
German securities identification number (WKN)	723 530
International Securities Identification Number (ISIN)	DE 000 723 5301
Stock index	SDAX until March 20, 2020; Re-entry into the SDAX on March 22, 2021
Market segment	Prime Standard
Reuters symbol:	
Xetra	SGCG.DE
Frankfurt	SGCG.F
Bloomberg symbol:	
Xetra	SGLGY
Germany	SGLGR

Balanced debt maturity profile

SGL Carbon has a balanced debt maturity profile, with debts maturing in 2023 and 2024. Although our corporate bond with a nominal value of €250.0 million is set to mature in September 2024, both of our other material financing components are due for refinancing in 2023. Those components consist of a convertible bond with a nominal value of €159.3 million, as well as an undrawn syndicated credit line in the amount of €175.0 million.

Overview of SGL Carbon SE bonds

The prices of SGL Carbon's financing instruments developed along different trajectories over the past year. Due to the instruments' different structures, our secured corporate bond [with a nominal value of €250 million, interest rate of 4.625%, and due on September 30, 2024], decreased slightly from about 98% of its nominal value at the beginning of the year to about 94% at the end of 2020. Our convertible bond [with a nominal value of €159.3 million, interest rate of 3.00%, and due on September 20, 2023] increased slightly from 79% of its nominal value in January 2020 to 85% at the end of December 2020. Over the course of the year, our corporate bond was considerably less volatile in comparison to our convertible bond, which

is largely due to the fact that the former of the two instruments is secured.

During the first weeks of 2021, the prices of our corporate bond 2019/2024 and our convertible bond 2018/2023 continued to improve compared to the end of 2020.

Corporate bond

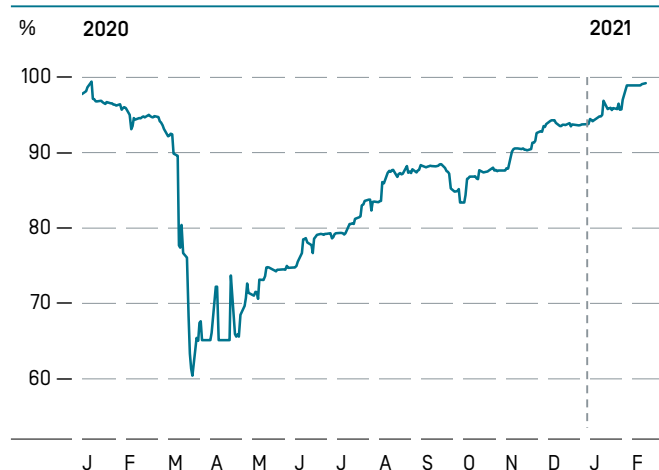
WKN	ISIN	Coupon	Maturity date
A1X3PA	XS1945271952	4.625%	September 30, 2024

Convertible bond

WKN	ISIN	Coupon	Maturity date
A2G8VX	DE000A2G8VX7	3.0%	September 20, 2023

Performance of company bond

[matures September 30, 2024]



Performance of convertible bond

[matures September 20, 2023]



For further information on SGL Carbon, our shares and bonds

Please contact our Investor Relations department:

Söhnleinstrasse 8
65201 Wiesbaden/Germany

Phone: + 49 611 6029-103
Fax: + 49 611 6029-101

Email: Investor-Relations@sglcarbon.com

Or visit the Investor Relations section of our website (www.sgl-carbon.com).

We look forward to hearing from you!

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Corporate Governance Declaration,
Corporate Governance and Compliance
Report [unaudited]

In fiscal year 2020 the Covid-19 pandemic had a major impact on business with a substantial reduction in demand. While for the - business unit CFM a recovery of demand could be observed until end of the year, the demand in the business unit GMS only slightly improved by year end.

Consolidated revenue in 2020 amounted to €919 million and were thus 15% below the prior year. Due to impairment at CFM, consolidated earnings amounted to €-132 million.

Irrespective of the consequences of the pandemic, the Company was repositioned during this very difficult year. The transformation program relates to the administrative areas, which are significantly streamlined in their scope, as well as to the business units, which have been set-up in a more homogeneous manner beginning at the start of 2021. The new business units now have full control of their production locations as well as all areas needed for their business. This allows a better steering with a focus on profitability.

In total, costs are targeted to be reduced by more than €100 million until 2023. In 2020 around € 40 million of this have already been achieved.

With this Group Management Report we provide detailed information on the business development and its underlying conditions in the reporting period and give in depth explanations of our results of operations, financial position, and net assets. In addition, we also provide an outlook on the anticipated development with its material opportunities and risks.

SGL Carbon - the Group

Business model of the Group

Legal structure of the Company

SGL Carbon SE, headquartered in Wiesbaden (Germany), is quoted on the Frankfurt stock exchange. Shares are listed in Deutsche Börse's Prime Standard market segment. SGL Carbon comprises SGL Carbon SE, the management holding company, together with its subsidiaries (a detailed overview of shareholdings of SGL Carbon SE can be found in [Note 31](#)).

Business activities and organizational structure

SGL Carbon is a globally active company with a total of 4,837 permanent and temporary employees at the end of 2020. We operated a total of 29 production facilities as of the balance sheet date, of which 16 are located in Europe, eight in North America and five in Asia. We operate two of these production facilities together with our joint venture partner Brembo in the business unit Composites - Fibers & Materials [CFM]. With a service network in more than 80 countries, we can accommodate the regional and industry-specific requirements of our customers.

In fiscal 2020, SGL Carbon's organizational structure comprised the two business units Composites - Fibers & Materials [CFM] and Graphite Materials & Systems [GMS], which also represent reporting segments. Central and service functions and central research activities are included in a separate reporting segment Corporate. In this annual report, business activities are presented based on these three reporting segments.

In order to position SGL Carbon to more effectively face future challenges, as of January 1, 2021 we put a new and more efficient organizational structure in place. From this time on, the Company's operating business will be run by four business units, and together with the Corporate reporting segment, they will comprise the Company's five reporting segments. From the start of 2021, the four business units are each individually responsible for their earnings and their economic success. Areas previously managed centrally, for example central research or sites have mostly been integrated into the structure of the new business units. [Details on the new business areas can be found in section - Targets and strategies]

The fiscal year 2020 developed very differently in the previous two business units. Since the outbreak of the pandemic, the Graphite Materials & Systems [GMS] business unit was impacted by the economic downturn throughout the entire year.

As a result, and due to the anticipated change in the supply chain for lithium-ion batteries, sales revenue and earnings were substantially lower year-on-year. In the Composites - Fibers & Materials [CFM] business unit the economic impact of the pandemic mainly made itself felt in the second quarter, as here, in particular, the shutdowns in the European automotive industry had a negative impact on business. The second half of the year then enjoyed a more pleasing course, in particular due to the higher sales revenue in the wind industry. The activities to improve earnings already put in place in 2019 also had a positive impact. Thus, this business unit recorded a substantial improvement in earnings despite the lower sales revenue.

SGL Carbon's business activities focus on the development, production and distribution of customer-specific solutions and applications based on our material competence with carbon fibers, composites and specialty graphites. SGL Carbon operates globally as one of the leading manufacturers on the market. The Group's core expertise, developed over decades, includes a broad understanding of raw materials, a command of high-temperature manufacturing processes as well as application and engineering expertise for customer-specific solutions. Our materials are characterized by electrical and thermal conductivity, resistance to heat and corrosion, self-lubricating qualities and low weight combined with strength.

Due to these unique material properties, SGL Carbon sells to a wide spectrum of industries, ranging from the more traditional industrial sectors, such as the chemical and automotive industries, to promising structural growth markets, such as the fuel cell industry, LED and semiconductor industries, as well as multi-industry applications for lightweight construction.

After the acquisition of the joint ventures with BMW and Benteler and the sale of SGL Kumpers in 2017 and 2018, SGL Carbon now only holds select participating interests in companies together with other shareholders. Some of these companies (e.g., SGL Quanghai Carbon) are fully consolidated and included in the results of their respective segments. In addition, we have a material investment accounted for At-Equity in the joint venture with Brembo (Brembo SGL) in the CFM reporting segment. In this joint venture we develop and produce carbon ceramic brake disks for the automotive industry together with our partner.

Additional information on material investments accounted for At-Equity can be found under [Note 7](#) of the notes to the consolidated financial statements.

Resource allocation is decided at a business unit level and reviewed and approved by the Board of Management at the annual objectives meetings. Our global business units are responsible for the development, production and marketing of their products and solutions, while all service and administrative activities are concentrated in the corporate functions.

The business models of our business units

Business unit Composites - Fibers & Materials (CFM)

Through to the end of 2020, the reporting segment [Composites - Fibers & Materials](#) [CFM] bundled all of the materials business based on carbon fibers. It covered the entire, integrated value-added chain, from raw materials through carbon fibers to composite materials and the components made from them. Carbon fibers and fiber composite materials benefit from the substitution process for base materials. They are increasingly in demand as substitute materials for traditional materials because of their unique properties, such as the combination of low weight and high stiffness. In so doing, we focus, in particular, on customers from the automotive, aerospace, wind energy and other industries.

We completed our value chain and in particular reinforced our market position in the automotive segment with the acquisition of SGL ACF and the former Benteler SGL. In the units which now form SGL Composites, we produce carbon fibers at the facility in Moses Lake, Washington [USA], which are then further processed to become carbon fiber-based fabrics at a second location in Wackersdorf [Germany]. BMW Group uses these fabrics to produce components, for example for the passenger cell in the BMW i3 and i8, and also individual components for the BMW 7-series. In the plant in Austria we primarily develop and produce fiber-reinforced plastic components for the automotive industry.

Particularly noteworthy in this context is the major order for composite battery cases announced in January 2020 from a North American automobile manufacturer, which will be supplied from mid-2021. The battery housing, which usually takes up the most space in the underbody, is an important element of any electric vehicle chassis platform. In addition to the low weight, other very specific requirements apply, which composite materials meet in an excellent manner. Battery cases, for

example, must have high rigidity to support the driving dynamics. In addition, the material must protect the underbody from puncture, contribute to optimized thermal management, offer fire protection and meet water and gas tightness requirements.

The value chain is supplemented by our joint venture Brembo SGL [ceramic brake discs], accounted for At-Equity. The joint venture with Brembo S.p.A. [Italy] develops and produces carbon ceramic brake discs, particularly in the market for luxury class vehicles and sports cars (<http://www.carbonceramic-brakes.com>; Link unaudited).

As industrial applications for composite materials are still in their infancy, we permanently develop processes and methods to support our customers in the optimum use of fibers and materials for composite materials.

As a result, we can offer our customers one-stop shopping for solutions along the entire value chain from carbon fibers and materials through to components as well as expertise in series production.

The main raw material in the reporting segment CFM is acrylonitrile [ACN] for the production of acrylic fibers, which, as so-called polyacrylonitrile [PAN] precursors, can then be further processed to carbon fibers. We have secured the future supply of the raw material PAN precursor at our Portuguese site. By further conversion of textile lines to PAN precursor as required, the development of the entire carbon fiber value chain is being driven forward. The supply of PAN precursor is supplemented by our joint venture with Mitsubishi Chemical Corp., [Japan].

Business unit Graphite Materials & Systems [GMS]

The reporting segment [Graphite Materials & Systems](#) [GMS] comprises a broad range of customized graphite-based solutions and applications. Graphite components are manufactured, purified and, in some cases, refined by adding a special coating - all according to customer requirements. Sales revenue in the business unit GMS is primarily generated with customers in the semiconductor, LED and solar industries as well as the battery and fuel-cell and chemicals industries and also the automotive and transport sector and various other industrial applications. The emphasis is on finished products with a high value-added content. These components are used, for example, in heating elements for monocrystalline production of silicon in the semiconductor and solar industries. Gas diffusion layers are an essential component of a fuel cell. In addition, solutions are being offered for the automotive and other manufacturing industries in the form of graphite-based bearing and

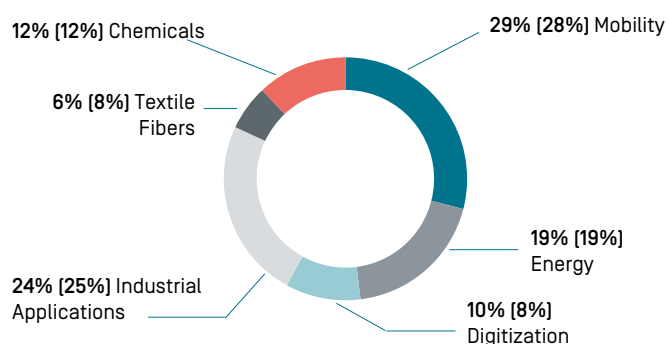
pump components as well as seals. So-called expanded graphites based on natural graphite are utilized in a large number of industries such as in the chemical and automotive industries. In addition, the Company also offers products and solutions for the chemical and pharmaceutical industries and the environmental sector, particularly with graphite heat exchangers, distillation devices, pumps and systems.

In fiscal year 2019, business with gas diffusion layers for fuel cells was transferred from the central research department Central Innovation to the business unit GMS in order to accelerate commercialization against the background of the major order agreed between SGL Carbon and Hyundai Motor Group, which provides for a multiplication of the current production and delivery volume to support Hyundai's goals in the area of fuel cell propulsion. Furthermore, additional customer relationships are to be developed.

The main raw materials used by the business unit GMS are petroleum coke and pitch. SGL Carbon purchases these raw materials primarily from suppliers with whom the Company has maintained long-term business relationships based on annual framework agreements. In some cases, we use long-term agreements with both international and local energy suppliers to cover our energy requirements (natural gas and electricity) for the manufacturing processes.

Major sales markets

Sales revenue by market segments 2020 [2019] (Group)



The mobility market segment (automotive & transport, aerospace) continues to be the largest market segment in the

Group at 29% of sales revenue (previous year: 28%), followed by industrial applications at 24% (previous year: 25%). The third largest customer segment is the energy industry (includes, in particular, the sectors batteries & other energy, wind energy and solar) which accounts for revenues of 19% (previous year: 19%), followed by the chemicals industry at 12% (previous year: 12%). As a result of the growth, the proportion of sales revenues from digitization (semiconductor and LED industries) increased to 10% compared to 8% in the previous year. The proportion of sales revenue accounted for by the Textile Fibers market segment fell to 6% (previous year: 8%), as textile fiber lines were re-equipped to produce carbon fiber precursor.

The sales revenue accounted for by the specific market segments in the business units CFM and GMS are detailed in the section on Financial performance of the reporting segments.

Targets and strategies

Financial targets

SGL Carbon's most important KPI, both internally and externally, is:

Return on capital employed (ROCE EBIT)¹⁾ min. 10%

¹⁾ Based on EBIT before non-recurring items to average capital employed - continuing operations (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

Additional significant financial targets in the medium term are:

<u>Leverage ratio²⁾</u>	<u>≤ 2,5</u>
<u>Sales growth / CAGR</u>	<u>Single digit</u>
<u>Consolidated net result - continuing operations</u>	<u>Positive</u>
<u>Free cash flow</u>	<u>Positive</u>

²⁾ Net financial debt to EBITDA before non-recurring items

Corporate strategy

SGL Carbon's business units are experiencing dynamic market and product developments with growth potential that is considerably above average. SGL Carbon is an enabler for its cus-

tomers' production processes and products with its carbon fiber and specialty graphite products, helping them to serve global megatrends such as mobility, digitization and energy efficiency. The customers are offered tailored applications along the entire material value chain.

In order to sustainably increase the enterprise value, in particular in the current, difficult economic environment, SGL Carbon is now focusing on clearly defining responsibilities for earnings, substantially cutting costs and reducing complexity across the board.

New business unit structure

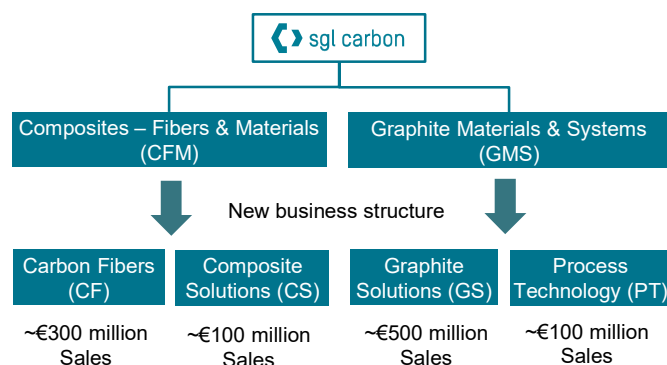
Since January 1, 2021, SGL Carbon runs its operating business in four business units. Thus, focused business units were created, which each have a homogeneous business model and for which responsibility for earnings can be clearly defined. The former business unit Composites – Fibers & Materials (CFM) has been broken down into the units Carbon Fibers & Materials (CF) and Composite Solutions (CS). The former business unit Graphite Materials & Systems (GMS) has been split into Graphite Solutions (GS) and Process Technology (PT).

The new business unit CF [Carbon Fibers] bundles the activities to produce carbon fibers as well as carbon fiber semi-finished products. It includes, in particular, the carbon fiber plants in Moses Lake (USA), Muir of Ord (UK) and the plant in Lavrado (Portugal) for the production of carbon fiber precursors as well as textile fibers. This business unit focuses on the comparatively large-volume production of carbon fibers, in particular for the wind and automotive industries. This unit controls the entire value chain – starting from the polymerization of the main raw material acrylonitrile through to the production of carbon fibers and the manufacture of fabrics. Our joint venture Brembo SGL (ceramic brake discs), which has links with CF both via the supply chain and also in terms of its technology, has also been allocated to this business unit and is accounted for At-Equity.

The new business unit CS [Composite Solutions] focuses on producing customer-specific components and customized applications made of composite materials based on glass and carbon fibers. This business unit comprises, in particular, the production of components for the automotive industry in Austria as well as two locations in the USA, which produce components and special solutions for the aerospace, automotive and other industries.

The new business unit GS [Graphite Solutions] supplies customer-specific solutions based on established specialty graphites for traditional and high-growth customer industries from 14 plants in Europe, America and Asia. Customized solutions are offered based on a differentiated product portfolio. Growth drivers include, in particular, the semi-conductor and LED markets as well as the business with fuel cell components.

The new PT business unit [Process Technology] focuses on the construction and commissioning of equipment for the chemical industry. The focus is on designing and producing graphite heat exchangers and syntheses, which are used for handling corrosive media.



The sales figures above are rough indicative numbers and not current segment data

The business units are now clearly focused and have very few overlapping customers, thus allowing them to respond individually to market requirements. After the slump in 2020 the units will be able to successively grow again in future thanks to their tailor-made strategies.

Restructuring to improve efficiency

In order to substantially improve profitability, SGL Carbon's Board of Management passed a restructuring and transformation program on October 30, 2020. This was based on a careful analysis and bottom-up forecast by more than 270 team members from the whole company. Together, they worked out an extensive package of activities comprising around 700 individual initiatives.

The program comprises both extensive savings activities as well as a large number of improvement initiatives for production, purchasing, sales and administration. In addition, activities to further develop corporate culture were also defined.

In total, implementing the restructuring program is scheduled to result in annual savings of more than €100 million by 2023 (compared to 2019). These will include scheduled, socially acceptable staff cuts of more than 500 employees and also extensive cost savings, in particular with regard to travel expenses, consulting costs and external services. Total costs of around €40 million are anticipated for implementation of the savings activities, which will be completed by the end of 2023.

Control system

Management and control

A description of the cooperation between the Board of Management and the Supervisory Board can be found in the Corporate Governance and Compliance Report (unaudited).

SGL's leadership-principles regulate responsibilities and structure the obligations of our Board of Management, the management of our business units and our central functions. The Board of Management determines the Group's strategic orientation. Fundamental business decisions are taken at only two management levels: the Board of Management and by the management of the business units. The business units obtain the infrastructure and services they require from the respective companies and plants. In addition, corporate functions support the Board of Management and provide services for all business units and legal entities.

The four new basic principles for cooperation at SGL Carbon are defined in the "Formula Carbon" policy:

- **Business First**
In everything we do, our focus is on running our business safely and profitably.
- **Keep it simple**
We no longer afford the luxury of doing things that are not absolutely necessary. We reduce complexity wherever possible.
- **Deliver on promises**
We set ourselves realistic goals, keep our promises and expect the same from our colleagues.
- **Act fast, think different**
We act quickly and solution oriented. And are always open to new approaches.

SGL Carbon's values govern the behavior of all of our executives and employees in the business activities, and are also reflected in the SGL Code of Business Conduct and Ethics. The Code underscores SGL Carbon's obligation to comply with the law and sets standards for ethical and legal conduct. It is handed out to all of our employees, can be viewed on the Intranet at any time, and is transmitted in regular training sessions. In 2020, SGL Carbon SE's Compliance Management System was audited for the first time by an external auditor, who confirmed that it meets the requirements of ISO 19600:2016. The auditor certified that the Compliance System has a high level of maturity and integrity.

Our management culture is based on the principles of leadership and management by objectives. The Board of Management, the business units and the centralized functions agree on objectives for the Group and the business units based on a defined set of key performance indicators. Remuneration models and performance-related bonus programs for the Board of Management and all executive levels are derived from this process. Details of the remuneration system and the remuneration received by the individual members of the Board of Management can be found in the remuneration report.

Internal management system

The top-level objective is the sustained growth of the Company's enterprise value and reasonable profitability for the business units. SGL Carbon's internal management system seeks to fulfill this goal. The system comprises regular meetings of appointed committees, monthly management reporting which covers both actual developments and also the related target/actual comparisons, as well as gap analyses. Furthermore, steering committees are appointed to work with top-level management to direct and monitor special investment projects, potential acquisitions and defined tasks concerning topics such as personnel issues, safety, compliance and environmental protection.

Medium-to long-term market and demand indicators for the business units Carbon Fibers (CF) and Composite Solutions (CS) can be derived only to a limited extent, as developments are highly project-driven. Accordingly, the course of business for these activities can be impacted by project delays.

Key leading indicators for the anticipated development of operations in the business units Graphite Solutions (GS) and Process Technologies (PT) include the actual or forecast growth in

important customer markets, as well as incoming orders and corresponding capacity utilization in the Company.

Research and development

Central Innovation - our centralized research and development

The state-of-the-art research infrastructure at the Group's largest site in Meitingen offers optimal conditions for materials research and developing carbon fiber-based composites. Through to the end of 2020, new technologies were developed and tested in our laboratories and pilot plants in our central research department [Central Innovation], as well as in alliances with external partners. This work serves to increase sales revenue with new and improved products over the medium to long-term, and to improve our cost situation. The development portfolio comprises both products and technical processes which open up new business opportunities for SGL Carbon over the medium to long term. We had a total of 50 employees at the end of 2020 [2019: 72] in the Central Innovation department. Central Innovation supported a total of 22 diploma students, interns and student trainees in 2020 [previous year: 48].

As of January 1, 2021, the activities of our central research and development department were fully integrated into the four business units. In so doing, we have further reinforced the customer proximity of our development work and more clearly focused our strategic research and development projects on up-to-the-minute market opportunities.

Highlights from the development areas [unaudited]

During the year under review, the "Air Carbon" program in the mobility market segment was continued with "Air Carbon III", in which we develop next generation carbon fibers, for example for the aerospace industry, together with well-known partners from universities and industry. These carbon fibers will offer higher performance compared to the current state of technology. As a result, additional weight savings are possible in vehicles or in aerospace, thus cutting fuel consumption and CO₂ emissions.

In addition, SGL Carbon develops various thermoplastic semi-finished products for automotive applications. In this area we

have succeeded in acquiring the first series order for the carbon-fiber profile of a windscreen scuttle, which is to be used in series in one of the BMW Group's high-volume models in future.

In the newly addressed market segment for medical products, we have acquired our first customer projects and have already taken one product into series production.

In the energy market segment work continued on the next generation of anode materials for lithium-ion batteries. These materials will increase the storage capacity of lithium-ion batteries and thus, for example, significantly increase the range of electric cars. We have also made further investments in the development and sale of gas diffusion materials for fuel cells for next generation cars.

In fiscal year 2020 we continued to further drive the protection of our expertise using new patent registrations.

Strategic industry alliances and research networks are the key to success [unaudited]

SGL Carbon continues to be an active member of the management bodies of international scientific carbon societies.

As a co-founder of the competence network for lithium-ion batteries [KLiB], we work together with BASF, Bosch, Daimler, BMW and other companies on the development of lithium-ion batteries for e-mobility and stationary energy storage, and also chair the board of that network.

SGL Carbon is an active member of Composites United e.V. This association of companies and research institutions spans the entire value chain for high-performance composite materials in Germany, Austria and Switzerland and fosters and maintains other international relationships and alliances with similar organizations, for example in Belgium and South Korea.

In addition, SGL Carbon is a member of the Working Group for Carbon [Arbeitskreis Kohlenstoff - AKK] and is a member of its board. This group is an independent association to support industry interests in both the German Ceramics Company [Deutsche Keramische Gesellschaft] as well as in the European Carbon Association and aims to promote the exchange of experience and information as well as carbon research.

Economic Report

Overall economic and industry-specific underlying conditions

Economic conditions

The spread of Covid-19 has had a severe impact on the global economy. Lockdowns to slow the spread of the pandemic had a significant impact on the global economy in the second quarter of 2020. The economy recovered again in the summer, however it started to falter again in the fall as a result of the second wave of infections. Life and the economy in almost all countries of the world, with the exception of China, remained under huge pressure. According to the IMF (International Monetary Fund), global economic output fell by 3.5% in 2020. The original forecast from January 2020 was +3.3% [industrialized countries +1.6%, emerging and developing countries +4.4%]. This forecast was missed by a long shot in 2020. In industrialized countries the global economy slumped by 4.9% in 2020, and by 2.4% in emerging and developing countries.

Global economy in recession in 2020 due to pandemic and lockdowns

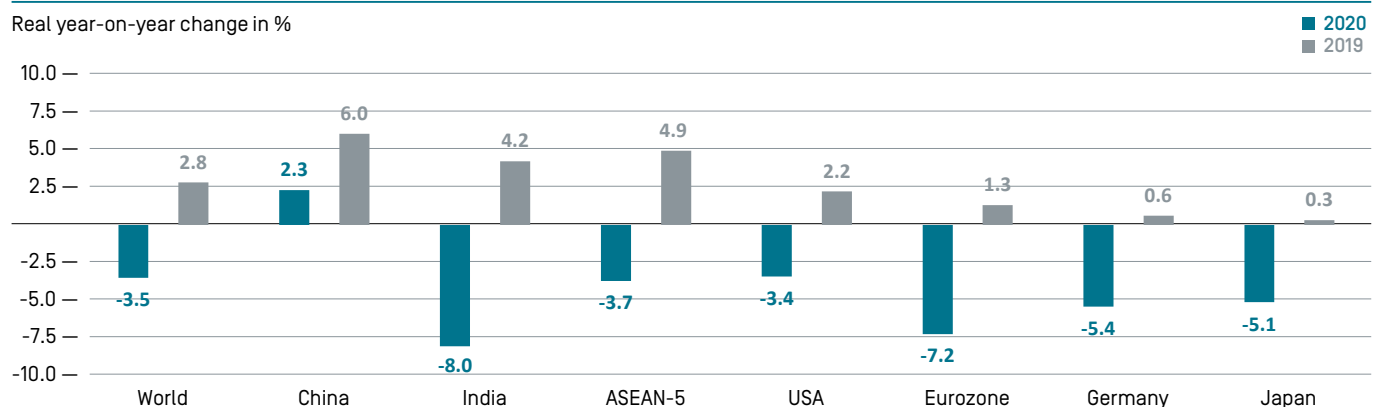
The USA was hit much harder by the spread of Covid-19 in 2020 than many other industrialized countries, with the result that the economy has fallen perceptibly (IMF: -3.4%). Private consumption and capital expenditure were both weak. In March,

the US FED cut its base rates in two stages. Despite a certain recovery in the second half of the year, industrial production in 2020 fell by 7.0%.

As a result of the global economic slump and strict lockdowns the economy in the Eurozone also went into free fall (IMF: -7.2%). In order to compensate for the impact, substantial stimulus packages were put in place. In addition, the European Central Bank has set up an extensive corona emergency purchase program for bonds. Industrial production in the Eurozone fell, and the downturn was particularly pronounced in Germany.

China was the first country to be impacted by infections after the coronavirus outbreak in Wuhan (Q1: -6.8%). However, the country compensated very quickly for the economic downturn with governmental aid. The economy had already returned to growth in the summer. Chinese industrial production was up by 2.8% according to information from the statistics office NBS. Key emerging countries were not able to escape the global economic weakness and the impact of the spread of the virus in their own countries. For example, the economies in India, Brazil and Russia fell substantially. The downturn in Southeast Asia was moderate, as this region [ASEAN-5] benefited from the recovery in China during the year.

Gross domestic product in 2020 (2019) at a glance



Source: IMF, World Economic Outlook (Update) from January 2021

Development of key customer industries

Market segment mobility

Automotive industry: Tailwind for electric cars to counter negative trend - SGL Carbon is focusing on specialties

Around the world the automotive industry came under massive pressure at the end of the first quarter as a result of the Covid-19 pandemic. This was followed by a strong recovery in China in particular, however other markets remained under pressure. Industry experts from LMC Automotive estimate that global sales have fallen by 14.0% to 77.7 million light vehicles, with downturns in all regions. Sales in China were just 4.2% lower year-on-year. Demand slumped to a massive extent in the USA (-14.8%) and Japan (-11.5%). According to the industry association ACEA sales in Europe even fell by 24.3% to slightly less than 12.0 million cars (Germany: -19.1%). Electric vehicles (EVs) are countering the negative trend and becoming increasingly established on the market. As a result of current data for 2020, the industry forum InsideEVs believes that 3.1 million electric vehicles were sold (+41%). In the automotive industry reducing weight by using lightweight constructions and alternative motors are key topics for development. SGL Carbon is well established in both areas with niche products thanks to its composite materials. The range includes intelligent solutions for lightweight constructions such as battery cases made of high-quality composite materials, which protect batteries and improve their performance, and also components for cars with fuel-cell engines.

Aerospace: Pandemic plunges aerospace into a crisis - SGL Carbon's niche business remained stable

After a multi-year boom, the pandemic has had a major impact on civil aviation and sent this sector into a deep crisis. According to the umbrella organization IATA, passenger transport is believed to have fallen by around two thirds, and freight transport is also believed to be down slightly. Airlines have grounded major parts of their fleets. SGL Carbon's business is only indirectly dependent on short-term developments in the aerospace sector as it is geared to lightweight aerospace construction. The carbon fiber reinforced plastics (CFRP) are increasingly being used in aviation construction and also in modernizing and converting existing models and fleets. They play an increasingly large role in this regard. New aircraft construction also fell substantially in 2020. The major aircraft manufacturers cut production to a massive extent, and the number of deliveries of commercial aircraft slumped in 2020 compared to the previous year (Boeing: 157 compared to 380, Airbus: 566

compared to 863). SGL Carbon benefited from existing orders despite this trend, with the result that there was no negative impact in 2020.

Market segment energy

Lithium-ion batteries: Demand boomed for electric cars and PC/notebooks - SGL Carbon impacted by extraordinary situation

The market for lithium-ion (Li-ion) batteries is dominated by demand from the automotive industry and from information technology (IT). As a result of the strong demand for big high-performance batteries for electric vehicles (EV, electric vehicles including hybrids) the volume demanded by the automotive industry is particularly large. Demand for EVs has regularly enjoyed very high double-digit growth over the past few years with the exception of 2019 (only 10%, due to factors including regulatory restrictions in China), albeit with low volumes. Demand for EVs even accelerated perceptibly in 2020 in contrast to the economic weakness due to the pandemic and the crisis in the automotive industry. According to the industry forum InsideEVs, sales increased by 41% to 3.1 million EVs. The automotive industry is now making massive investments in high-volume capacities for the production of Li-ion batteries. IT is the second largest market for Li-ion batteries, and the booming demand for PCs and notebooks is generating lively impetus (2020: +4.8%, Gartner). Smartphone sales remained weak in 2020, however sales with mobile small devices such as smartwatches again enjoyed highly dynamic growth, up 49%. However, in line with expectations, SGL Carbon did not benefit from this strong market trend as a result of an exceptional situation (production changes at one customer and changes in the sales chain).

Fuel cells: Attractive technology with many applications and high potential

Fuel cells (FC) are energy converters and play a key role in the energy transition and thus also in emission-free mobility. Tighter climate targets around the world as well as concrete medium-term requirements defined by politicians to reduce greenhouse gases have recently put fuel cells into the limelight. Applications in the FC market are still characterized by stationary equipment to generate electricity. This segment accounted for around 70%. In terms of technology, PEMFC dominate the market (polymer-electrolyte membrane fuel cells). Gas diffusion layers (GDL) based on carbon-fiber paper are essential components in PEMFCs, and critical for them to function properly. SGL's Graphite Solutions business unit (GS) produces

high-quality GDLs and has many years of know-how. SGL Carbon is a long-standing development partner and component supplier for leading FC manufacturers. There is already an attractive FC end market in place with a global volume of at least USD 10 billion (2019, Grand View Research), and this market is enjoying double-digit growth in the opinion of various market researchers. This provided a positive impetus for SGL Carbon in 2020.

Wind industry: Practically unaffected by the pandemic and with on-track expansion

Wind energy is a key driver for regenerative energy generation. Technological progress means that wind energy has become increasingly competitive over the past few years. As a result of government subsidies, China and the USA are currently the dominant individual markets. Many markets are already operating without subsidies and projects are increasingly being awarded via auctions. This conversion process initially depressed the market in individual regions such as Germany, however around the world the market is clearly growing, including in pandemic-ridden 2020. In the offshore market, which is increasingly becoming established as a segment with high demands on technology, 6.5 GW of new facilities were installed in 2020 according to an updated initial estimate by the Global Wind Energy Council (GWEC) (previous year: 6.1 GW). Despite temporary disruptions in the supply chain and construction operations due to lockdowns and strict rules for contact, market expectations were almost completely met. According to a GWEC forecast, global new installations both onshore and offshore increased by 18% in 2020 to 71.3 GW. SGL Carbon's business with the wind industry clearly benefited from this dynamic growth.

Solar/polysilicon: PV installations down for first time - Consolidation among polysilicon manufacturers, substantial investments in 2020 in China in particular

The photovoltaic industry (PV) is the dominant end market for polysilicon by a substantial margin. China accounts for 70% of global PV module production. As a result of the rapid spread of Covid-19, at the start of 2020 there were initially massive disruptions to both production and the supply chain. During the further course of the year demand on end markets then also slumped. As a result, the PV market fell in 2020 for the first time in ten years. According to estimates by IHS Markit, 117 GW were installed. This corresponds to a downturn of 7%. The production of polysilicon, which precedes the PV market, is highly capital intensive. According to a study by Bernreuter, demand for polysilicon has stagnated over the past three years. The major manufacturers in China have increased their capacity massively despite this. Other producers in China, the USA and South

Korea have exited the market or have closed large parts of their capacity. As a result, China's share of the global market for polysilicon production increased to 75% in 2020 (2017: 50%). Investments by other manufacturers have been reserved. SGL Carbon only serves very carefully selected individual projects with its graphite products on this market.

Market segment digitization

Semiconductors/polysilicon: Lively demand for semiconductors also drives investments to a new record high

The semiconductor industry enjoys a market share of almost 10% and is the second largest customer for the polysilicon industry after the photovoltaic sector. Based on the strongest recovery in the consumer segment in the past ten years, which was driven in particular by lockdowns (home office, home schooling, home entertainment), demand for PCs and mobile end devices increased by 4.8% according to estimates by the market research company Gartner. However, demand for smartphones has fallen. The industry association World Semiconductor Trade Statistics (WSTS) estimates that worldwide sales of semiconductors increased by 5.1% in 2020 (2019: -12.0%). Gartner puts the growth at +7.3%. Almost all product segments have grown. Sales of integrated circuits, which are by far the most dominant sub-market, were up by 6.4%, and memory even lifted by 12.2%. According to information from the industry association SEMI, the investment market for production equipment and other equipment has recovered substantially with sales up by 16% in 2020, and has reached a new record-breaking volume. SGL Carbon not only serves the traditional silicon-based semiconductor market, but in particular also the segment for wide bandgap semiconductors, which are used in electromobility and 5G technology and it is benefiting from the highly dynamic increase in demand in this segment.

LED: Attractive high-growth market despite blip due to Covid-19 in 2020

LEDs are long-lived, particularly cost efficient, offer environmental benefits and are flat. This allows a wide range of possible designs, which means that LEDs are pushing other lighting technology out of the market and are entering into new applications, for example in the medicine segment. Market researchers put the growth trend in the global LED market at 13% per year. Despite this, the pandemic caused a substantial reduction in demand in 2020. According to estimates by TrendForce the global LED market fell by 10% to USD 15 billion in 2020, with downturns for commercial displays and commercial/industrial lighting. In the automotive sector LED sales fell by a

good 14%. In contrast, LEDs for consumer electronics have enjoyed positive growth as a result of the boom in demand for PCs and notebooks. LEDs are produced using monocrystalline silicon wafers, are coated and cut to form semiconductor plates for the diodes. Susceptors [rotating wafer carriers] are required for the extensive coating process. They have a decisive influence on the coating quality and thus on the chip yield and the luminescence of the LEDs. SGL Carbon has an excellent position in this regard with our graphite-based susceptors for silicon epitaxy.

Market segment chemicals

Relatively robust chemicals economy in 2020 - however some investments put back

The industry upswing faltered in 2020, however the impact remained low for the global chemicals and pharmaceuticals industry. The strong pharmaceuticals production more than compensated for the downturns in industrial chemicals. According to the Verband der Chemischen Industrie (VCI), total output in 2020 even increased slightly worldwide by +0.3% [previous year: +3.3%]. Production was only moderately lower even without pharmaceuticals [-0.8%]. Industrial demand has recovered in the meantime, and this has had a stabilizing effect and demand for hygiene articles and packaging was high. In regional terms, industrial chemicals [without pharmaceuticals] were clearly on track for expansion in China [+2.0%] and Russia [+6.5%]. However, in Japan [-10.0%], South Korea [-3.5%], India [-6.0%], USA [-4.5%] as well as the EU [-4.0%] there were significant downturns in some cases. Chemical production in Germany without pharmaceuticals decreased by 4.0% with marked downturns for polymers and inorganic raw materials. As a result of a high level of insecurity, investments were put back in some cases [-5%]. Activities focused on maintenance and modernization. This was reflected correspondingly in SGL Carbon's business with the chemicals industry.

Key events during the fiscal year

Impacts and measures related to the Covid-19 pandemic

The coronavirus pandemic (Covid-19) had a significant impact on SGL Carbon's business activities. SGL Carbon has set itself two clear priorities in this regard. The primary objective is to protect the health of our employees, their families and our

business partners through precautionary activities. In addition, we aim to bring our Company through this difficult period in the best possible manner and as intact as possible. SGL Carbon's Board of Management has put a comprehensive package of measures together with both business units and the central functions. The code of business and conduct included in this package of activities is updated on an ongoing basis, and this has made a major contribution to the fact that only very few of our employees have been positively tested for the coronavirus.

All of the market segments in the GMS reporting segment have been impacted by the Covid-19 crisis, with the exception of semiconductors, which recorded double-digit growth. In the CFM reporting segment, the market segments for automotive, textile fibers and industrial applications were affected by a downturn in business volume as a result of Covid-19. In contrast, the wind energy market segment grew significantly and sales revenue in the aerospace market segment remained constant.

SGL Carbon has global activities with 29 production sites. Some countries or regional authorities have put far-reaching activities in place, for example lockdowns, which had a direct impact on our business activities. The GMS sites in China, India, Italy and Spain were affected temporarily. Restrictions by the authorities in these countries have been lifted in the meantime, and all of the sites have resumed operations by the end of the first six months of the year. As a result of the production stops at our customers, at the CFM locations in Wackersdorf and in Austria, production was scaled back and short-time work was introduced. This also applied to the two sites operated by our joint venture Brembo SGL. SGL Carbon's other plants in Germany, the USA, the United Kingdom, France, Portugal and Poland were mostly able to keep production and product deliveries running as a result of the activities put in place, however with different degrees of utilization. Disruptions to the supply chain have been major in some cases, and in order to combat these and the resulting actual downtime, SGL Carbon uses both short-time work as well as the reduction of vacation and flex-time balances in some of the sites which have been particularly impacted.

As of 31 December 2020, around 11% of SGL Carbon's employees were on short-time work or similar activities, in particular in Germany, the USA and France. The majority of the short-time work activities are only partially used. Administrative employees performed the bulk of their activities from home.

Restructuring program

The Covid-19 pandemic with its unique impact on the global economy has also depressed SGL Carbon's financial situation. In order to quickly master the crisis, in the first instance the Board of Management initiated a fundamental review of the entire company and its markets with the support of an external consulting company. Based on this analysis, we then developed possible courses of action, which allow us to reduce complexity and improve profitability. As a result of this analysis, and in view of the difficult environment which we continue to see, we have set up a restructuring program as of October 30, 2020. Based on 2019's actual costs, we intend to improve earnings by more than € 100 million per year by the end of 2023 thanks to a package of activities including cutting more than 500 jobs and extensive non-personnel cost cuts. The required headcount reduction will be structured to make these as socially acceptable as possible. Costs of around €40 million are estimated for implementation of the restructuring program (including costs for external consulting). Of this total, €25.2 million have been incurred in fiscal year 2020 and recognized in profit and loss. Costs of €18.2 million have been recognized for personnel activities and €7.0 million for consulting costs. In addition, restructuring expenses of €2.0 million were incurred for restructuring issues started in previous years. The restructuring project forms the basis for ensuring competitive cost structures and thus also for our Company's sustained financial recovery. In addition, restructuring charges of €2.0 million have been incurred for restructuring projects that were started in prior years.

Impairment tests

Based on the new five-year plan, there are significant differences to the last five-year plan, in particular as a result of the ongoing weakness in the market segments for automotive and aerospace in the current CFM reporting segment. As a result, SGL Carbon conducted impairment tests for goodwill and property, plant and equipment for the cash generating units included in CFM.

This triggered an event-driven impairment test for each of the two cash-generating units (CGU) Carbon Fibers (CF) and Composite Solutions (CS). The impairment test revealed for CF a shortfall in the recoverable amount compared to the carrying amount of the net assets allocated to the CGU. An impairment loss was required in the fourth quarter of 2020 in the amount of €106.5 million, that was allocated to goodwill of €19.5 million, other intangible assets of €0.1 million, buildings, technical equipment and machinery as well as other property, plant and

equipment of €86.9 million. This was disclosed separately in the income statement.

For detailed information on the impairment loss, please refer to the notes to the consolidated financial statements.

Agreement with Showa Denko/Sale of non-core assets

Following the decision by the Japanese company Showa Denko (SDK) to close its production of graphite electrodes at the Meitingen site, in July 2020 SGL Carbon and SDK agreed to amend, adjust and/or terminate all existing contractual relationships by mutual consent for a settlement payment by Showa Denko in the amount of a low double-digit million euro sum. Payments were made in two tranches in November 2020 and February 2021. SDK acquired the graphite electrode business from SGL Carbon in 2017. As the site operator, SGL Carbon also concluded a rental agreement for land and buildings, including service agreements, service level agreements and supply agreements. € 8.5 million of the agreed settlement payment was paid as compensation for the prematurely terminated rental and service agreements and was thus recorded in profit and loss in the third quarter of 2020. The total settlement payment includes both the compensation for rental and other services and also the demolition and disposal of SDK's existing technical plant and machinery at the Meitingen site.

In order to improve liquidity, in fiscal 2020 SGL Carbon also launched a program to sell non-core assets not required in its business operations. In this connection, land and buildings at the former production site in Lemwerder were sold to various buyers for a total price of €13.4 million. In so doing, income of €7.9 million was recorded.

Business overview

Disclosures concerning the net assets, financial position and results of operations of SGL Carbon are made in part on the basis of the following key indicators, which, although they are not derived directly from the consolidated financial statements, are used to control SGL Carbon.

In order to adjust the operating profit before non-recurring items of €50.2 million to take into account one-off effects, income of €7.9 million from the sale of land, income of €8.5 million for the SDK settlement, and additional one-off insurance

income and staff-related credits totaling €14.3 million (2019: €1.8 million) were also deducted from the operating profit (EBIT) before non-recurring items of €19.5 million. The following overview shows how such financial indicators are calculated.

	2020	2019
Operating profit/loss (EBIT)	-93.7	-34.3
Plus / minus: restructuring expenses	27.2	-0.7
Plus: Impairment and PPA-Effects	116.7	83.4
Operating profit/loss (EBIT) before non-recurring items	50.2	48.4
Adjusted for non-operating income / expense	-30.7	-1.8
Operating EBIT before non-recurring items	19.5	46.6
Plus: amortization/depreciation expense on other intangible assets and property, plant and equipment	73.3	71.6
EBITDA before non-recurring items (= EBIT before non-recurring items plus amortization / depreciation)	123.5	120.0
Capital Employed¹⁾		
Capital employed as of 31.12. of the prior year	1,219.8	1,244.5
Plus: IFRS adoption	-	36.9
Adjusted capital employed as of 31.12. of the prior year	1,219.8	1,281.4
Adjusted capital employed as of 31.12. of the financial year	999.7	1,219.8
Average capital employed²⁾	1,109.8	1,250.6
ROCE _{EBIT} ³⁾	4.5%	3.9%
ROCE _{EBITDA} ⁴⁾	11.1%	9.6%

¹⁾ Defined as the sum of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity, inventories, trade receivables and contract assets less trade payables

²⁾ Adjusted capital employed as of December 31 of the prior year, plus adjusted capital employed as of December 31 of the year under review, divided by 2

³⁾ EBIT before non-recurring items to average capital employed

⁴⁾ EBITDA before non-recurring charges to average capital employed

What follows is a comparison of the outlook for fiscal 2020, as originally published in the 2019 annual report, with the actual results for the year under review. In an ad-hoc announcement made on April 1, the original outlook was suspended due to the effects of the Covid-19 pandemic, and an updated outlook was released on July 28. Due to significant changes in the economic environment, the new outlook differs markedly from the targets originally indicated in the 2019 annual report. As a result, significant reductions in sales revenue and the consolidated net result were counteracted with measures intended to improve the Group's liquidity situation.

Outlook for 2020 as published in the 2019 Annual Report

Sales revenue to slightly decrease compared with prior year
EBIT before non-recurring items about 10-15% above prior year level
Slight decline of ROCE _{EBIT} before non-recurring items
Consolidated net result - Substantial improvement to low double digit
Increase in net financial debt in mid-double-digit million euro range
Capital expenditure on the level of depreciation/amortization expense

Actual data for fiscal year 2020

Sales revenue about 15% below prior year
EBIT before non-recurring items: €50 million (2019: €48 million)
ROCE _{EBIT} of continuing operations at 4.5% (2019: 3.9%)
Consolidated net result of continuing operations at minus €132 million (2019: minus €90 million)
Net financial debt at €286.5 million (2019: €288.5 million)
Capital expenditure: €56 million (Amortization/depreciation for 2020: €73 million)

Sales revenue decreases by 15%

Sales revenue from continuing operations decreased by 15% to €919.4 million (2019: €1,086.7 million). The significant decrease in sales revenue is the result of anticipated changes to the supply chain in the lithium-ion battery business, and in particular to the decrease in both of our reporting segments owing to the Covid-19 pandemic.

EBIT and EBITDA before non-recurring items, and ROCE_{EBIT} virtually unchanged

SGL Carbon's EBIT before non-recurring items improved slightly by 3.7% to €50.2 million in the year under review, up from €48.4 million in the previous year, while EBITDA from continuing operations also improved slightly by 2.9% to €123.5 million, up from €120.0 million. The development of EBIT and EBITDA was positively affected by one-off effects such as the sale of land and the agreement with SDK, which were the only reasons why EBIT and EBITDA were significantly better than projected at the beginning of the year. The improved performance seen in our CFM reporting segment was unable to compensate for the significant operational decrease in our GMS reporting segment. ROCE_{EBIT} from the continuing operations of SGL Carbon improved from 3.9% to 4.5%, particularly due to the decrease in capital employed. The Operating EBIT before non-recurring items of €19.5 million has been adjusted for one-off effects totaling €30.7 million, resulting from the SDK agreement, the sale of land, insurance income, and flexi time credits.

Result from continuing operations falls sharply

Particularly due to the increase in the impairment loss recorded for CFM, as well as due to restructuring expenses incurred during the year under review, the consolidated net result decreased from minus €90.0 million in the prior-year period to minus €132.2 million in the year under review.

Capital expenditure reduced

At €55.8 million, capital expenditure for intangible assets and property, plant and equipment were significantly reduced to well below the range of €70-80 million forecast for the year under review (2019 capital expenditure: €95 million). Further details can be found in the section on capital expenditure, depreciation and amortization.

Net financial debt improved

Contrary to expectations, net financial debt was reduced by €2.0 million to €286.5 million. Owing to a set of measures consisting of limiting capital expenditure and carrying out a controlled reduction of working capital, as well as to asset management measures and to the proceeds from the sale of land and the agreement with SDK, SGL Carbon was able to generate enough liquidity from own funds to pay the purchase price of USD 62 million, or €51.4 million, for 49% of the shares in SGL Composites US (the carbon fiber plant from the former joint venture with BMW).

Financial performance of the Group

Income statement ¹⁾

€m	2020	2019	Change
Sales revenue	919.4	1,086.7	-15.4%
Cost of sales	-728.9	-870.2	16.2%
Gross profit	190.5	216.5	-12.0%
Selling expenses	-88.5	-108.6	18.5%
Research and development costs	-33.3	-36.8	9.5%
General and administrative expenses	-46.5	-43.7	-6.4%
Other operating income/expense	16.5	5.6	-
Result from investments accounted for At-Equity	11.5	15.4	-25.3%
Operating profit/loss (EBIT) before non-recurring items	50.2	48.4	3.7%
Restructuring expenses	-27.2	0.7	-
Impairment loss / reversal of impairment and PPA-Effects	-116.7	-83.4	-39.9%
Operating profit/loss (EBIT)	-93.7	-34.3	-
Financial result	-29.4	-38.9	24.4%
Result from continuing operations before income taxes	-123.1	-73.2	-68.2%
Income tax expense	-7.0	-16.2	56.8%
Non-controlling interests	-2.8	-0.5	-
Consolidated net result - continuing operations	-132.9	-89.9	-47.8%
Result from discontinued operations, net of income taxes	0.7	-0.1	-
Consolidated net result (attributable to the shareholders of the parent company)	-132.2	-90.0	-46.9%
Earnings per share, basic (in €)	-1.08	-0.74	-45.9%
Earnings per share continuing operations, basic and diluted (in €)	-1.09	-0.74	-47.3%

¹⁾ The presentation of the financial performance is based on an adjusted income statement, that presents the effects from the purchase price allocation (PPA) of €10.2 million separately as non-recurring item (2019: €8.7 million)

Sales revenue decreases due to Covid-19 pandemic

Sales revenue generated by the continuing operations of SGL Carbon decreased significantly by €167.3 million, or 15.4% year on year. The decrease can primarily be attributed to the drop in delivery volumes as a result of the anticipated changes to the supply chain in the lithium-ion battery business, as well as the restrictions due to the Covid-19 pandemic and the reductions in incoming orders [for further details, please see our segment reporting]. A slight decrease in sales revenue was also caused by price concessions made for individual customers. The average exchange rate of the US dollar only fell slightly in 2020 compared to the previous year. Consequently, the sales revenue trend was not significantly impacted by exchange rates fluctuations.

Sales revenue by region: Europe remains largest sales market

SGL Carbon's business activities continued to focus on Europe (€470.5 million; share in sales revenue: 51%, 2019: 49%), in which Germany continued to be the largest individual market, with sales revenue of €285.6 million, and its share in sales revenue remaining constant at 31%. Asia continues to be the Group's second-most important sales region, although the region's share in sales revenue decreased slightly to 30% (2019: 32%). Sales revenue in the USA fell in proportion to the decrease in consolidated sales revenue, with its share in sales revenue remaining at 15%.

The restrained sales revenue trend seen in Germany resulted mainly from lower sales revenue with domestic automotive manufacturers, owing to the business interruptions caused by the lockdowns imposed during the first half of the year to contain the Covid-19 pandemic, as well as to the subdued level of incoming orders seen during the second half of the year. The proportionately greater decrease in sales revenue in Asia resulted from the significant drop in sales revenue in other energy business in our GMS reporting segment, which was only partially compensated by the higher sales revenue generated with the wind energy industry in our CFM reporting segment.

Sales revenue by region

€m	2020	Share	2019	Share	Change
Germany	285.6	31.1%	341.0	31.4%	- 16.2%
Europe excluding Germany	184.9	20.1%	189.3	17.4%	- 2.3%
USA	139.5	15.2%	158.6	14.6%	- 12.0%
Asia	272.2	29.6%	350.5	32.2%	- 22.3%
Rest of world ¹⁾	37.2	4.0%	47.3	4.4%	- 21.4%
Total	919.4	100.0%	1,086.7	100.0%	- 15.4%

¹⁾ Latin America, Africa, Australia

Gross margin improved

Cost of sales decreased proportionately more than sales revenue. The personnel expenses included in the cost of sales decreased slightly due to the decrease in headcount and the reduction in flextime and leave accounts. Consequently, the gross margin of sales improved slightly to 20.7% during the period under review (2019: 19.9%). The marked improvement to the gross margin in our CFM reporting segment, and the settlement payment from SDK recognized in sales revenue in our Corporate reporting segment, more than compensated for the decrease in the gross margin in our GMS reporting segment. In absolute terms, however, overall gross profit decreased noticeably to €190.5 million during the period under review, down from €216.5 million in the prior-year period.

Selling, R&D, and administrative expenses

Other functional costs (selling expenses, research and development expenses, and general and administrative expenses) were partially adjusted to the weaker business situation. As a result of lower delivery figures and cost savings, such costs decreased significantly by 11.0% to €168.3 million year on year (2019: €189.1 million). Consequently, they decreased only slightly less than sales revenue.

The 18.5% decrease in selling expenses to €88.5 million (2019: €108.6 million) was particularly due to lower delivery volumes to Asia, which are normally accompanied by higher freight costs, as well as to cost savings.

Research and development expenses amounted to €33.3 million in fiscal year 2020 (2019: €36.8 million). The decrease year on year resulted in part from carbon fiber development projects conducted as part of the "Air Carbon" project. Further details concerning our research and development projects can be

found in the chapter of the Management Report titled "Central Innovation – our centralized research and development".

General and administrative expenses increased by 6.4% to €46.5 million in fiscal year 2020, up from €43.7 million in the previous year. The slight increase was particularly caused by management advisory costs of €2.7 million, as well as by severance payments of €1.4 million resulting from changes to the Board of Management. Adjusted for those one-off costs, general and administrative expenses would have decreased slightly.

Other operating income and expenses

Other operating income and expenses that cannot be attributed to functional costs equated to net income of €16.5 million in fiscal year 2020 (2019: net income of €5.6 million). Foreign currency effects resulted in net income of €0.2 million in 2020 (2019: net expense of €0.4 million). Net income for the year comprised government grants for projects of €3.8 million (2019: €3.6 million), insurance compensations of €1.7 million (2019: €1.5 million), and income from the sale of non-current assets of €7.7 million resulting from the sale of land and buildings at the Lemwerder site (2019: €0.4 million).

Income from investments accounted for At-Equity

The income from investments accounted for At-Equity decreased significantly by 25.3% to €11.5 million in fiscal year 2020, down from €15.4 million in 2019, which can be attributed to the performance of Brembo SGL (ceramic brake discs). Following a good result in 2019, Brembo's income fell by about 28% during the first half of 2020 due to production interruptions caused by the Covid-19 pandemic.

Increase in non-recurring items

Non-recurring items totaling minus €143.9 million in the year under review primarily comprise impairment loss of €106.5 million in our CFM reporting segment, restructuring expenses of €27.2 million, and additional amortization to capitalized assets and liabilities totaling minus €10.2 million (2019: minus €8.7 million), which was identified as a result of the purchase price allocations for the SGL Composites entities in the USA, Austria and Germany.

Restructuring expenses incurred as part of the restructuring program amounted to €5.1 million in our CFM reporting segment, €7.3 million in our GMS reporting segment, and €12.7 million in our Corporate reporting segment. In our Corporate segment, provisions of €2.0 million were recognized for the restructuring of unused sites in fiscal year 2020 (2019: reversals of €0.4 million). All in all, the above changes resulted in net restructuring expenses of €27.2 million in fiscal year 2020 (2019: net income of €0.7 million).

Non-recurring items totaling €82.7 million in the prior-year period primarily resulted from impairment loss of €74.7 million in our CFM reporting segment, as well as from additional amortization to capitalized assets and liabilities identified as part of purchase price allocations, totaling minus €8.7 million.

For further details regarding the above, please refer to [Note 8 and 9](#) of the notes to the consolidated financial statements.

Operating profit (EBIT) before non-recurring items at €50 million

EBIT before non-recurring items improved slightly to €50.2 million in the year under review, up from €48.4 million in the previous year. The corresponding EBIT margin increased to 5.5% in the reporting year, up from 4.5% in the previous year.

In order to adjust the EBIT before non-recurring items of €50.2 million to take into account one-off effects, income of €7.9 million from the sale of land, income of €8.5 million for the SDK settlement, and additional one-off insurance income and staff-related credits totaling €14.3 million (2019: €1.8 million) were also deducted from the Operating EBIT before non-recurring items of €19.5 million.

Taking into account non-recurring expenses totaling €143.9 million in 2020, and €82.7 million in 2019, resulted in an

EBIT of minus €93.7 million for fiscal year 2020, following an EBIT of minus €34.3 million in the previous year.

Financial result improves

€m	2020	2019	Change
Interest income	0.7	1.7	-58.8%
Interest expense on financial debt and other interest expenses	-18.1	-19.1	5.2%
Imputed interest convertible bonds (non-cash)	-2.7	-4.7	42.6%
Imputed interest financing lease (non-cash)	-2.9	-3.5	17.1%
Interest expense on pensions	-4.1	-6.4	35.9%
Interest expense, net	-27.1	-32.0	15.3%
Amortization of refinancing costs (non-cash)	-2.6	-3.4	23.5%
Foreign currency valuation of Group loans (non-cash)	-0.1	1.6	-
Other financial income/expense	0.4	-5.1	-
Other financing result	-2.3	-6.9	66.7%
Financial result	-29.4	-38.9	24.4%

Despite a US dollar term deposit, interest income of €0.7 million remained well below the level of the previous year (€1.7 million), due to a further decline in interest rates.

Interest expense in particular comprises the interest from the corporate bond issued in April 2019 with an interest rate of 4.625%, and the cash interest component (coupon) of the convertible bond 2018/2023 with an interest rate of 3.0%. As a result of repaying the financial debts of SGL Composites to BMW Group in June 2019, and repurchasing our convertible bond 2015/2020 (with an interest rate of 3.5%) in July 2019, interest expenses for those instruments are still included in the financial result up to the time at which they were each repaid. Due to the repayment of those financial debts in the previous year, the interest expense decreased by €1.0 million to €18.1 million year on year (2019: €19.1 million). The average cash interest rate was 4.0% p.a. in 2020 (2019: 3.8% p.a.).

The non-cash imputed interest on the convertible bonds is established by approximating the below-market coupon with the comparable market interest rate at the time the convertible bonds are issued. Non-cash interest expense of €2.9 million (2019: €3.5 million), which is shown separately in the net financing result, also resulted from the imputed interest of a financial

liability related to a capitalized heritable building right, and other non-current provisions and liabilities. The decrease year on year resulted in particular from the decrease in interest expenses for leasing liabilities recognized in accordance with IFRS 16 to €0.8 million [2019: €1.2 million]. Due to the decrease in pension discount rates in December 2019, interest expense on pensions of €4.1 million in fiscal year 2020 was noticeably lower than the expense of €6.4 million recognized in the previous year. All in all, net interest expense decreased by 15.3% to €27.1 million, compared with the prior-year expense of €32.0 million.

In addition to the non-cash expense for the amortization of re-financing costs, the other financial result includes currency translation income and expenses arising from intercompany and external loans, as well as other financial income and expenses. Overall, the other financial result amounted to a net expense of €2.3 million in fiscal year 2020 [2019: net expense of €6.9 million]. The amortization of accrued refinancing costs resulted in an expense of €2.6 million during the year under review [2019: €3.4 million]. The decrease was due to the full amortization of accrued costs for the early repayment of our convertible bond 2015/2020 in fiscal year 2019, which was recognized in the previous year. Other financial income totaled €0.4 million in fiscal year 2020 [2019: expense of €5.1 million]. In the previous fiscal year, this item primarily consisted of an expense of €5.5 million resulting from the early repayment of our convertible bond 2015/2020.

The net financial result thus improved significantly in line with expectations, by 24.4% to a net expense of €29.4 million [2019: net expense of €38.9 million].

Group income tax expense at €7 million

The Group's income tax expense amounted to €7.0 million during the year under review, down significantly from €16.2 million during the previous year. The decrease in the income tax expense resulted from value adjustments of €9.8 million made in the previous year to deferred tax assets, in particular in the UK and Germany due to the weaker earnings outlook in our CFM reporting segment. The current tax expenses of €10.4 million [2019: €6.4 million] arose from Group companies making positive earnings contributions, particularly in China, as well as from the sale of land and buildings through a legally independent real estate company. In the year under review, cash tax payments amounted to €5.6 million [2019: €4.8 million].

For more information, please refer to [Note 11](#) of the notes to the consolidated financial statements.

Non-controlling interests increase

Non-controlling interests (minority interests) comprise our minority partners' share in the consolidated net result. Within SGL Carbon, minority shareholders in fiscal year 2020 relate in particular to SGL Gelter and SGL A&R Immobiliengesellschaft in Lemwerder. Due to the sale of land and buildings at the former production site of a joint venture in Lemwerder, the minority interests in our consolidated net result increased significantly to €2.8 million in fiscal year 2020 [2019: €0.5 million].

Discontinued operations

The result from discontinued operations after income taxes consists of income and expenses from our discontinued business units Performance Products (PP) and Aerostructures (AS). The sale of PP was completed in 2017, and that of Aerostructures in 2015. The result from discontinued operations in fiscal year 2020 was primarily characterized by the reversal of remaining tax provisions of €0.7 million in connection with the sale of PP [2019: minus €0.1 million].

Consolidated net loss characterized by impairment loss and restructuring expenses

Including non-controlling interests, the consolidated net result for the year attributable to the shareholders of the parent company amounted to a net loss of €132.2 million, compared with a net loss of €90.0 million in 2019. Based on the average number of shares of 122.3 million, the basic earnings per share amounted to minus €1.08 for 2020 [2019: minus €0.74]. When calculating the diluted earnings per share, the new shares that could potentially be issued from the convertible bond 2018/2023 are only taken into account, if a positive consolidated net income is presented. Consequently, due to the loss situation in fiscal year 2020, no diluted earnings per share have been calculated. The diluted earnings per share for the year under review thus also amounts to minus €1.08 [2019: minus €0.74].

Net result of SGL Carbon SE

SGL Carbon SE, the parent company of the SGL Group, reported a net loss of €65.6 million for fiscal year 2020 [2019: net loss of €111.9 million], in accordance with the German Commercial Code (HGB). The loss was primarily the result of an impairment

of €34.5 million (2019: €98.6 million) to the lower fair value based on the current financial plan of SGL Composites Materials Germany GmbH, in the financial statements of SGL Technologies GmbH, which has a profit and loss transfer agreement with SGL Carbon SE. Write-downs on financial investments also contributed to the net loss for the year. The net loss for the year, together with the accumulated loss of €1,042.9 million from 2019, resulted in a total accumulated loss of €1,108.5 million in fiscal year 2020.

Financial performance of the reporting segments

Composites - Fibers & Materials (CFM): Substantial improvement in earnings

€m	2020	2019	Change
Sales revenue	391.3	431.6	-9.3%
EBITDA before non-recurring items ¹⁾	48.9	25.1	94.8%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	19.1	-8.3	-
Operating profit/loss (EBIT)	-102.7	-91.5	-12.2%
Operating EBIT before non-recurring items ²⁾	14.2	-8.0	-
Return on Sales (EBIT-margin) ³⁾	4.9%	-1.9%	-
Payments to purchase intangible assets and property, plant and equipment	15.6	27.8	43.9%
Cash Generation ^{1) 4)}	39.9	-1.2	-
Depreciation/amortization expense	29.8	33.4	-10.8%
Return on capital employed (ROCE _{EBIT}) ^{1) 5)}	3.8%	-1.3%	5.1%-points
Headcount (Year end)	1,570	1,698	-7.5%

¹⁾ Non-recurring items include impairment losses as well as effects from purchase price allocation totaling minus €116.7 million in 2020 and €83.4 million in 2019 and restructuring impacts of minus €5.1 million in 2020 and €0.2 million in 2019

²⁾ EBIT before non-recurring items adjusted for positive one-off impacts of €4.9 million in 2020 and minus €0.3 million in 2019

³⁾ EBIT before non-recurring charges to sales revenue

⁴⁾ EBITDA less payments to purchase intangible assets and property, plant and equipment as well as changes in working capital

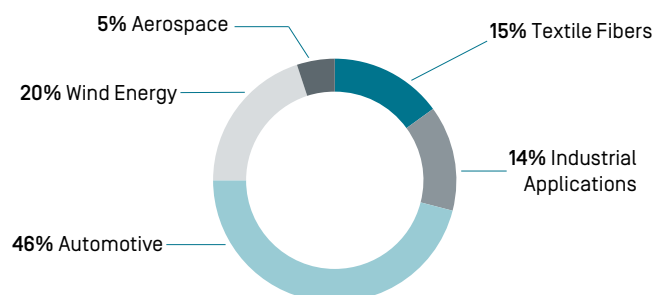
⁵⁾ EBIT before non-recurring items to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and net working capital)

While the first quarter 2020 in the reporting segment Composites - Fibers & Materials (CFM) was still relatively unaffected

by the coronavirus crisis, the negative effects were clearly visible in the second quarter of the year. Fortunately, the negative effects eased again over the further course of the year, which means that development in the second half of the year was substantially better than expected - in particular in terms of earnings.

In total, revenue during the period under review fell by around 9% (no notable currency translation effects) to €391.3 million from €431.6 million in the same period of the previous year. The largest percentage downturn was recorded in the Textile Fibers market segment. This was due to the fact that, as part of the activities to improve earnings, SGL Carbon started to idle two acrylic fiber lines at the end of 2019 and to convert another line to precursor. Corona-related declines were also recorded in the Automotive and Industrial Applications market segments. Aerospace remained relatively stable year-on-year. In contrast, business with the wind industry increased year-on-year by around 45% and thus better than originally forecast.

Sales revenue by market segments 2020 (CFM)



Sales of investments accounted for At-Equity are not included in consolidated revenues and mostly relate to our carbon-ceramic brake disks business (Brembo SGL: development and production of ceramic brake disks) which is allocated to the market segment Automotive. These brake disks are produced at two sites in Meitingen and Stezzano (Italy). Both sites had to close between the end of March and the end of April 2020; in Italy due to government regulations (lockdown) and at the German site in Meitingen due to production interruptions at key automotive customers. As a result, the aggregated revenue from the participating interest carried at equity fell significantly to €216.3 million (€259.4 million, in each case 100% of the values of the companies). These revenues are not included in SGL Carbon's consolidated revenue.

EBIT before non-recurring items in the CFM reporting segment improved to €19.1 million compared to minus €8.3 million in the previous year. This corresponds to a return on sales of 4.9% after minus 1.9% in the prior year. The substantially improved earnings in business with the wind industry and in the Textile Fibers market segment as well as the positive impact of the activities put in place to improve earnings have only been partially offset by the weaker automotive business and the lower earnings contributions from At-Equity accounted investments (down by around €4 million). Operating EBIT before non-recurring items of €14.2 million was adjusted for one-off items from HR-related credits and income from the sale of assets totaling €4.9 million.

As disclosed in the “Key Events” chapter and in detail in the notes to the financial statements, we can see significant deviations to the last five-year forecast, in particular as a result of the ongoing weakness in the market segments for automotive and aerospace in the CFM reporting segment. Accordingly SGL Carbon has performed impairment tests for all of its cash generating units (CGUs) of CFM and recorded an impairment loss on goodwill and property, plant and equipment totaling €106.5 million at CFM in the fourth quarter of 2020. The impairment loss related only to the new CF (Carbon Fibers) cash-generating unit.

Other non-recurring items mainly consist of the additional amortization of minus €10.2 million on the amounts identified and capitalized or recognized as liabilities in the course of the purchase price allocations of the SGL Composites companies. Non-recurring items from additions to provisions for restructuring totaled minus €5.1 million. Despite the substantial improvement in operating earnings, EBIT after non-recurring items fell in particular due to the increased impairment loss of minus €102.7 million in the reporting period (2019: impairment loss of minus €91.5 million).

During the fiscal year, capital expenditures in the CFM business unit were limited to €15.6 million (previous year: € 27.8 million). Capital expenditures focused on the expansion of composite battery case production in Austria as well as the conversion of the second acrylic fiber line to precursor at the Lavradio site in Portugal.

Graphite Materials & Systems (GMS): Downturn in demand due to pandemic

€m	2020	2019	Change
Sales revenue	495.4	622.5	-20.4%
EBITDA before non-recurring items ¹⁾	77.1	113.6	-32.1%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	42.4	85.5	-50.4%
Operating profit/loss (EBIT)	35.1	85.6	-59.0%
Operating EBIT before non-recurring items ²⁾	33.1	83.4	-60.3%
Return on sales (EBIT-margin) ³⁾	8.6%	13.7%	-
Payments to purchase intangible assets and property, plant and equipment	32.9	55.8	-41.0%
Cash Generation ^{1) 4)}	81.2	53.0	53.2%
Depreciation/amortization expense	34.7	28.1	23.5%
Return on capital employed (ROCE EBIT) ^{1) 5)}	8.2%	16.3%	-8.1% points
Headcount (Year end)	3,032	3,141	-3.5%

¹⁾ Non-recurring items of minus €7.3 million in 2020 and €0.1 million in 2019

²⁾ EBIT before non-recurring items adjusted for positive one-off impacts of €9.3 million in 2020 and €2.1 million in 2019

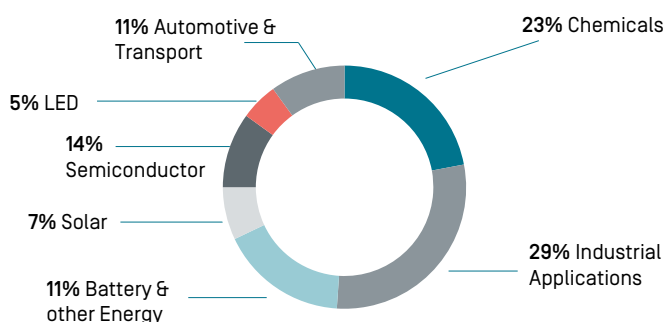
³⁾ EBIT before non-recurring charges to sales revenue

⁴⁾ EBITDA less payments to purchase intangible assets and property, plant and equipment as well as changes in working capital

⁵⁾ EBIT before non-recurring items to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and net working capital)

The impact of the coronavirus pandemic have further increased in the second half of the year in the Graphite Materials & Systems (GMS) reporting segment. This is mostly due to the late cyclical nature of GMS business. In total, sales revenue in the GMS reporting segment fell in the period under review by almost 20% to €495.4 million compared to the record high of €622.5 million in the previous year (no major currency translation effect). Contributing factors included the anticipated changes in the supply chain for lithium-ion batteries as well as lower revenues in all market segments with the exception of semiconductors as a result of the pandemic. Semiconductor revenues enjoyed double-digit growth.

Sales revenue by market segments 2020 (GMS)



Compared to the record-breaking earnings in the same period of the previous year (€85.5 million), EBIT before non-recurring items in the period under review fell by around 50% to €42.4 million. The EBIT margin fell to 8.6% (previous year: 13.7%). Operating EBIT non-recurring items of €33.1 million was adjusted for non-recurring items from insurance income and HR-related credits totaling €9.3 million. In line with the development in sales revenue, almost all market segments recorded a substantial decline in earnings compared to the same period of the previous year. This is due to the substantial reduction in capacity utilization for industrial and chemical applications as well as the lower absorption of fixed costs, in particular in the second half of the year, which could only be partially compensated for with cost savings. Only in the market segment automotive & transport earnings remained stable.

In addition, in fiscal year 2020, there were non-recurring items for restructuring expenses in the GMS reporting segment of €7.3 million (previous year: income of €0.1 million). EBIT after non-recurring items thus fell to €35.1 million (previous year: €85.6 million)

Capital expenditures in the GMS business unit in the year under review were reduced significantly by around 40% to €32.9 million, compared to €55.8 million in the previous year. In this business unit, capital expenditures focused on increasing production capacities for the manufacture of fuel cell components in Meitingen, and measures to further cut emissions, in particular at the site in Bonn.

Corporate: Significant non-recurring income

€m	2020	2019	Change
Sales revenue	32.7	32.6	0.3%
EBITDA before non-recurring items ¹⁾	-2.5	-18.7	86.6%
Operating profit/loss (EBIT) before non-recurring charges ¹⁾	-11.3	-28.8	60.8%
thereof Central Innovation	-9.4	-11.4	17.5%
Operating EBIT before non-recurring items ²⁾	-27.8	-28.8	3.5%
Operating profit/loss (EBIT)	-26.1	-28.4	8.1%
Headcount (Year end)	235	288	-18.4%

¹⁾ Non-recurring impacts of minus €14.8 million and €0.4 million in 2020 and 2019

²⁾ EBIT before non-recurring items adjusted for positive one-off impacts of €16.5 million in 2020

Revenues in the Corporate reporting segment in fiscal 2020 were in line with the previous year's level (no currency translation effects). The positive impact on revenues from the agreement concluded between SGL Carbon and SDK in July 2020 (for details please refer to page 49) in the amount of €8.5 million was offset by lower services to the discontinued business units (former Performance Products or PP business unit).

At minus €11.3 million, EBIT before non-recurring items in the reporting segment Corporate improved year on year (previous year: minus €28.8 million). The primary driver for this strong improvement in earnings was the positive impact of the agreement with SDK in the amount of €8.5 million and income from the sale of land and buildings of €7.9 million. These one-off effects were adjusted in Operating EBIT before non-recurring items amounting to minus €27.8 million. Also, lower expenses for management incentive plans as a result of the reduced earnings in the Group also helped to improve EBIT. In line with our expectations, expenses for our central research and development activities were lower than in the previous year at €9.4 million (previous year: €11.4 million) due to cost cutting activities.

In fiscal year 2020, there were non-recurring items in the Corporate reporting segment in the amount of minus €14.8 million for restructuring activities (previous year: €0.4 million). EBIT after non-recurring items thus improved to minus €26.1 million compared to minus €28.4 million in the previous year.

Financial position

Financial management

SGL Carbon's financial management is conducted centrally in order to manage liquidity, interest rate and currency risk in the best possible way, to ensure compliance with lending provisions, to optimize financing costs, and to utilize economies of scale. Financial management activities primarily cover cash and liquidity management, Group financing via bank and capital market products, financing activities to supply funds to Group companies, customer credit management, and the management of interest rate and currency risk.

The primary objective of the financial management is to maintain the company's financial strength and to ensure solvency at all times. Group Treasury, a centralized function at SGL Carbon SE, the management holding company, governs worldwide financial management activities and is supported in its activities by employees at the local subsidiaries.

Liquidity management

Operational liquidity management is centrally coordinated and managed in close cooperation with our subsidiaries on a global basis. Insofar as permitted by legal and economic frameworks, the major portion of cash in readily convertible currencies is concentrated at SGL Carbon SE, the Group holding company, by means of global cash pooling structures, and is used to balance intercompany liquidity needs. The majority of internal trading and clearing transactions is automated and settled via a central in-house cash center without the need for external bank accounts. The Group holding company acts as a clearing center for the Group companies participating in the process. The number of companies that participate in the centralized in-house cash center remained at 33 as of December 31, 2020 (December 31, 2019: 33). Weekly settlement of supplier invoices is also handled through the global in-house cash center insofar as permissible, thus allowing central management of a large portion of the Group's global cash outflows. In fiscal year 2020, an average of approximately 89% of global supplier payments were handled centrally (2019: 89%).

In order to safeguard the standards, we have attained and to increase efficiency, SGL Carbon works with monthly KPIs [key performance indicators], which allow us to constantly measure and optimize the degree of payment transaction standardization we have achieved and the related average costs.

In addition to annual finance planning, which generally covers a period of five years, current liquidity planning is undertaken for short intervals of one day to one year. By combining finance and liquidity planning as well as by using the available liquidity, unused credit lines, and other financing options, we ensure that SGL Carbon has adequate liquidity reserves at all times. As an additional element of liquidity management, the Company has concluded factoring agreements through which trade receivables are routinely sold to factoring partners. As a result, the Company can respond flexibly to cash flow fluctuations during the year and meet all payment obligations on time at all times.

Cash funds are invested by means of ensuring there is sufficient liquidity to cover cash flow fluctuations during the fiscal year and ensuring the financial stability and systemic relevance of SGL Carbon's business partners, the core banks. When investing funds, the performance and the success of our collaboration with our business partners in recent years are also taken into account.

Market price risks

In order to limit financial market price risks, particularly currency and interest rate risk, when necessary SGL Carbon utilizes both primary and derivative financial instruments. Derivative financial instruments are used exclusively to mitigate and manage financial risk. In the context of foreign currency management, SGL Carbon concentrates on hedging transaction risks from future expected operating cash flows. In doing so, the following major risk exposures are taken into consideration:

- US dollar – euro
- Japanese yen – US dollar
- Japanese yen – euro
- Euro – Polish zloty

The Group regularly hedges currency risk using instruments like currency forwards and, on a case-by-case basis, standardized [plain vanilla] options. No currency hedges were entered into in 2020, as the expected risks from currency fluctuations were kept low using various other measures. Interest rate hedging continues to be unnecessary at present given our exclusive use of fixed-interest financing, for which reason no interest rate hedges were entered into in fiscal year 2020. The expected risks from currency fluctuations for fiscal year 2021 can be hedged via currency hedging transactions if required. Internal guidelines specify the conditions, responsibilities, and controls required for the use of derivatives. Further details on

hedging instruments and the effects of hedging can be found in [Note 27](#) of the notes to the consolidated financial statements.

Debt financing analysis

Group financing is focused both on the strategic business plans of operating units and centralized Group planning. SGL Carbon's financing is primarily composed of the outstanding amount of the convertible bond 2018/2023 in the amount of €159.3 million [coupon: 3.0%, maturing in 2023], the corporate bond 2019/2024 in the amount of €250.0 million [coupon: 4.625%, maturing in 2024], and various bilateral loans totaling €19.0 million, with remaining terms until 2028. As of the balance sheet date, an unused credit line in the amount of €175.0 million was also available, expiring in 2023.

All in all, undrawn credit facilities amounting to €175.0 million were available to SGL Carbon at year-end 2020 to cover working capital and capital expenditure (2019: €175.0 million). Liquidity totaled €141.8 million as of December 31, 2020 (2019: €137.1 million).

In past years, selected properties, IT equipment, and vehicles were financed in part via operating leases. Further details can be found in [Note 24](#) of the notes to the consolidated financial statements.

SGL Carbon commissions rating agencies Moody's and Standard & Poor's (S&P) to prepare issuer ratings to support both private and institutional investors in evaluating the Group's credit quality.

The rating agencies have published the following corporate ratings for SGL Carbon:

Rating agency	Rating	Date of rating
Moody's	Caa1 [Outlook: negative]	April 2020
Standard & Poor's	CCC+ [Outlook: stable]	March 2020

The credit ratings issued by the rating agencies provide access to the capital markets in the event SGL Carbon decides to issue capital market instruments.

Significant improvement to free cash flow provided by continuing operations

The cash flow statement shows the change in cash and cash equivalents of SGL Carbon in the reporting period and is composed of cash flow from operating activities, investing activities, and financing activities. Free cash flow is defined as cash flow from operating activities less cash flow from investing activities. The cash and cash equivalents shown on the cash flow statement correspond to "cash and cash equivalents" as reported on the balance sheet. Cash funds further include short-term time deposits with original terms of up to twelve months (2020: €0.0 million; 2019: €4.0 million). The cash flow statements for the reporting period and the previous year have been adjusted to reflect the reclassification of the Performance Products (PP) and Aerostructures (AS) businesses as discontinued operations, the total of which is shown separately.

Free cash flow from continuing operations improved noticeably to €73.7 million, compared with minus €17.3 million in the previous year. Together with the free cash flow from discontinued operations in the amount of minus €1.9 million (2019: net cash used of €9.4 million), the total free cash flow was €71.8 million, compared with minus €26.7 million in the previous year. For more details, please see the consolidated cash flow statement in the consolidated financial statements.

Liquidity and capital resources

€m	2020	2019	Change
Cash flow from operating activities			
Result from continuing operations before income taxes	-123.1	-73.2	-68.2%
Non-recurring charges	143.9	82.7	74.0%
Depreciation/amortization expense	73.3	71.6	2.4%
IFRS 15 Earnings effect	8.1	3.2	-
Changes in working capital	35.9	13.8	-
Income taxes paid	-5.6	-4.8	-16.7%
Paid interest	-19.5	-17.5	-11.4%
Miscellaneous items	-9.0	-13.9	35.3%
Cash flow from operating activities - continuing operations	104.0	61.9	68.0%
Cash flow from investing activities			
Payments to purchase intangible assets and property, plant and equipment	-55.8	-95.1	41.3%
Dividend payments and capital repayments from investments accounted for At-Equity	11.3	10.9	3.7%
Payments for the acquisition / disposal of subsidiaries, net of cash acquired	0.0	3.6	-100.0%
Proceeds from the sale of intangible assets and property, plant & equipment	14.2	1.4	-
Cash flow from investing activities - continuing operations	-30.3	-79.2	61.7%
Free Cash flow¹⁾	73.7	-17.3	-
Changes in time deposits	4.0	54.1	-92.6%
Cash flow from financing activities - continuing operations	-66.3	-17.1	-
Free cash flow from discontinued operations ²⁾	-1.9	-9.4	79.8%
Effect of foreign exchange rate changes and other changes	-0.8	0.3	-
Cash and cash equivalents at beginning of year	133.1	122.5	8.7%
Cash and cash equivalents at end of year - continuing and discontinued operations	141.8	133.1	6.5%
Time deposits at end of year	0.0	4.0	-100.0%
Total liquidity	141.8	137.1	3.4%
Net change in total liquidity - continuing and discontinued operations	4.7	-44.5	-

¹⁾ "Cash flow from operating activities - continuing operations", less "Cash flow from investing activities - continuing operations"

²⁾ "Cash flow from operating activities - discontinued operations", less "Cash flow from investing activities - discontinued operations"

Net cash provided by continuing operations increased to €104 million

In fiscal 2020, the cash flow from operating activities (continuing operations) improved noticeably to €104.0 million, up from €61.9 million in the prior-year period. The increase was mainly due to the increased reduction in working capital and the first installment of the compensation payment from SDK.

Working capital shown on the balance sheet decreased by 13.5%, or €55.0 million, to €351.8 million as of December 31, 2020 (December 31, 2019: €406.8 million), primarily due to adjustments made to inventories to reflect lower business volumes in light of the Covid-19 pandemic. Currency effects and the application of IFRS 15 also contributed to the reduction in

working capital. Adjusted for these non-cash effects, the operational decrease in working capital amounted to €35.9 million (2019: €13.8 million).

Interest payments increased slightly to €19.5 million (2019: €17.5 million). Tax payments also increased by €0.8 million to €5.6 million (2019: €4.8 million). The remaining item includes bonus payments for the previous year made in March 2020, whereas for fiscal year 2020 there is a lower addition to the accrual for variable remuneration components.

Net cash used in continuing investing activities

The item reflects payments for intangible assets and property, plant and equipment, cash generated by or used for equity-accounted investments, payments for company acquisitions, and proceeds from the disposal of non-current assets. At €55.8 million, capital expenditure in fiscal 2020 was significantly below the prior-year level (€95.1 million). For further details concerning capital expenditure, please refer to the section titled "Capital expenditure, depreciation and amortization". The figures for fiscal year 2020 include cash inflows from dividend payments from investments accounted for At-Equity in the amount of €11.3 million (2019: €10.9 million).

Payments received from the divestiture of subsidiaries in fiscal 2019 primarily included the last installments totaling €3.0 million from the sale of SGL Kumpfers carried out in 2018.

Payments received for the disposal of intangible assets and property, plant and equipment in fiscal year 2020 particularly comprise cash inflows from the sale of land and buildings at the Lemwerder site, which is no longer used by SGL Carbon. Cash inflows in the previous year comprise the payment received for the sale of property, plant and equipment at the de-commissioned site in Frankfurt-Griesheim.

Due to the decrease in capital expenditure and the cash inflows from the sale of land, the net cash used in investing activities thus decreased noticeably by €48.9 million, or 61.7%, to €30.3 million during the year under review, down from €79.2 million in the previous year.

Capital expenditure, depreciation and amortization ¹⁾

€m	2020	2019
Payments to purchase intangible assets and property, plant and equipment	56	95
Depreciation/amortization expense	73	72

¹⁾ Excluding discontinued operations

Capital expenditure for intangible assets and property, plant and equipment were distributed as follows in fiscal year 2020: 28% for CFM (€15.6 million; 2019: €27.8 million), 59% for GMS (€32.9 million; 2019: €55.8 million), and 13% for central projects (€7.3 million; 2019: €11.5 million). The comparative figures for the previous year were: 29% for CFM, 59% for GMS, and 12% for central projects. Payments for significant capital expenditure projects during fiscal year 2020 related to the:

- increase in production capacities for the manufacture of fuel cell components in Meitingen (Germany), in the Battery & other Energy market segment
- production capacity expansion for composite battery cases in Austria and Arkadelphia (USA), in the Automotive market segment
- improvement of environmental protection in Bonn (Germany), in particular in the Semiconductor market segment
- conversion of a second spinning line into a plant manufacturing carbon fiber precursors in Lavradio (Portugal), in the Industrial Applications and Wind Energy market segments
- capacity expansion for SiC-coated isostatic graphite in St. Marys (USA), in the LED market segment

For more details concerning capital expenditure, please refer to the explanations provided in the sections relating to our reporting segments.

Net cash used in continuing financing activities

In the year under review, net cash used in financing activities (continuing operations) amounted to €66.3 million, up from net cash used of €17.1 million in 2019. In fiscal year 2020, cash of €51.4 million was used to acquire 49% of the shares in SGL Composites US (formerly: SGL ACF) from BMW Group, and €16.0 million was used to repay leasing liabilities. In addition, cash provided by the change in financial debt of €2.7 million, consisting of cash of €6.7 million provided from a bank loan and cash of €4.0 million (2019: €2.2 million) used to repay bank debt.

In the previous year, net cash used in financing activities primarily comprised the early repayment in July 2019 of the convertible bond 2015/2020 in the amount of €167.0 million, as well as the full repayment of loans to BMW Group by SGL Composites US (formerly: SGL ACF) in the amount of €87.6 million. In addition, net cash was provided by issuing the corporate bond 2019/2024 in the amount of €250.0 million in April 2019.

Other financing activities primarily comprise dividend payments of €0.8 million to minority shareholders in fully consolidated subsidiaries (2019: €0.3 million).

Free cash flow from discontinued operations

The free cash flow from discontinued operations relates to net cash used in investing activities, which comprises payments

received and made in connection with the sale of our former PP and AS business units. In fiscal year 2020, net cash used in investing activities (discontinued operations) comprised tax payments made in connection with divested PP business. The prior-year figure primarily comprises the final settlement payment regarding the sale of our Aerostructures business to Avcorp. All in all, the free cash flow from discontinued operations thus improved to minus €1.9 million, up from minus €9.4 million in the previous year.

Liquidity amounts to €142 million

Primarily as a result of the positive free cash flow, less the purchase price for the acquisition of 49% of the shares in SGL Composites US from BMW, available liquidity increased to €141.8 million at the end of fiscal year 2020 (2019: €137.1 million). Liquidity did not include any short-term deposits at the end of fiscal year 2020 (2019: €4.0 million).

Contractual payment obligations

The most significant contractual payments obligations comprise the repayment of debt, purchasing obligations and lease obligations. The total principal amount of debt repayment and settlement obligations was €428.3 million at the end of 2020 (2019: €425.6 million). That amount primarily consists of the corporate bond issued in April 2019 in the amount of €250.0 million (maturing in 2024), as well as the convertible bond issued in 2018 in a principal amount of €159.3 million. The outstanding amount of the convertible bond is due for repayment in September 2023 unless bondholders exercise their conversion rights, creating up to 12.2 million new bearer shares.

As of December 31, 2020, trade payables, derivative financial instruments, lease liabilities in accordance with IFRS 16, the purchase price for the acquisition of SGL Composites US and other financial liabilities totaled €120.1 million (2019: €216.3 million). Of that amount, liabilities totaling €29.8 million (2019: €34.2 million) were due after one year. Income tax liabilities and other liabilities amounted to an additional €42.5 million at the end of 2020 (2019: €32.8 million). Further details can be found in [Note 24](#) of the notes to the consolidated financial statements.

As of the reporting date, commitments arising from purchase orders connected with capital expenditure projects totaled €4.3 million (2019: €16.2 million).

Net assets

The net asset situation of SGL Carbon is tracked by way of the following key figures, which are used to manage the Group.

Overview of net assets

€m	Dec. 31, 2020	Dec. 31, 2019
Total assets	1,258.8	1,504.8
Equity attributable to the shareholders of the parent company	220.7	418.6
Equity ratio	17.5%	27.8%
Working capital ¹⁾	351.8	406.8
Capital employed ²⁾	999.7	1,219.8
Return of capital employed (ROCE _{EBIT}) ³⁾	4.5%	3.9%
Net financial debt	286.5	288.5
Gearing ⁴⁾	1.30	0.69

¹⁾ Total of inventories, trade receivables and contract assets, less trade payables

²⁾ Total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital

³⁾ Operating profit/loss (EBIT) before non-recurring items to average capital employed - continuing operations

⁴⁾ Net financial debt to equity attributable to the shareholders of the parent company

Changes to individual balance sheet items, total assets, working capital, shareholders' equity, the equity ratio, and net financial debt are explained in the following two sections referring to assets, and equity and liabilities.

The return on capital employed (ROCE _{EBIT}) – defined as the ratio of operating profit (EBIT) before non-recurring items to average capital employed – improved slightly to 4.5% in the year under review (2019: 3.9%) on the back of a decrease in working capital. The equity ratio – the ratio of equity attributable to the shareholders of the parent company to total assets – deteriorated to 17.5% (2019: 27.8%), primarily due to the impairment loss in CFM and the reduction in pension interest rates.

Balance sheet structure

€m	Dec. 31, 2000	Dec. 31, 2019	Change
ASSETS			
Non-current assets	658.7	820.9	-19.8%
Current assets	600.1	683.9	-12.3%
Total assets	1,258.8	1,504.8	-16.3%
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company	220.7	418.6	-47.3%
Non-controlling interests	12.2	10.3	18.4%
Non-current liabilities	823.9	796.0	3.5%
Current liabilities	202.0	279.9	-27.8%
Total equity and liabilities	1,258.8	1,504.8	-16.3%

Assets

Non-current assets decreased by a total of €162.2 million to €658.7 million in the reporting year (2019: €820.9 million). Significant changes resulted from the impairment loss of €106.5 million in CFM, from depreciation and amortization, which was €28.3 million higher than capital expenditure, and from currency translation differences of €28.9 million.

As a result of the impairment loss, intangible assets decreased by €19.6 million, and property, plant and equipment decreased by €86.9 million. Currency translation decreased non-current assets by €28.9 million (2019: increase of €6.8 million), particularly due to the weak US dollar. At €55.8 million, the level of capital expenditure in fiscal year 2020 was significantly lower than the level of depreciation and amortization on non-current assets, which totaled €84.1 million including amortizations of purchase price allocations, resulting in a decrease in non-current assets of €28.3 million (2019: increase of €12.7 million). The carrying amount of investments accounted for At-Equity decreased slightly by €0.5 million (2019: increase of €4.4 million), as the dividend payments of associated companies were slightly higher than the pro-rata earnings.

Current assets decreased by €83.8 million to €600.1 million (2019: €683.9 million). Adjusted for currency effects, current assets decreased by €68.1 million. The sharp drop was particularly caused by the reduction in inventories, which were reduced by 19.3%, or €53.7 million when adjusted for currency effects, due to the adjustment of production volumes as a result of the Covid-19 pandemic. In addition, trade receivables and contract assets decreased significantly by €27.0 million, or 12.9%, due to billing reasons. Adjusted for currency effects, the

decrease amounted to €10.8 million. In contrast, cash and cash equivalents increased slightly by €4.7 million.

As a result of the effects described above, total assets decreased by €246.0 million, or 16.3%, to €1,258.8 million as of December 31, 2020 (2019: €1,504.8 million).

Equity and liabilities

Shareholders' equity was almost cut in half, decreasing by €197.9 million, or 47.3%, to €220.7 million as of December 31, 2020 (2019: €418.6 million). The decrease was primarily caused by the consolidated net loss of €132.2 million. Additional factors that decreased equity were the adjustments made to the provisions for pensions in Germany and the USA, which decreased equity by €29.6 million after tax effects (2019: decrease of €27.2 million), as well as currency losses stemming in particular from the weaker US dollar, which decreased equity by €36.1 million (2019: increase of €8.7 million).

All in all, the above factors significantly reduced the equity ratio (excluding non-controlling interests) to 17.5% at the end of the year under review (2019: 27.8%).

	Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
December 31, 2019	418.6	10.3	428.9
Dividends	0.0	-0.8	-0.8
Net result for the year	-132.2	2.8	-129.4
Other comprehensive income	-65.7	-0.1	-65.8
Comprehensive income	-197.9	2.7	-195.2
December 31, 2020	220.7	12.2	232.9

Non-current liabilities increased by €27.9 million to €823.9 million (2019: €796.0 million). The pension provisions included under non-current liabilities increased to €340.1 million as of December 31, 2020, up from €318.7 million at the end of 2019. Increases in pension provisions of €24.0 million and €5.2 million mainly resulted from adjusting discount rates for pension provisions in Germany (by minus 0.5 percentage points to 0.6%) and the USA (by minus 0.6 percentage points to 2.6%), respectively, to reflect the lower anticipated long-term interest rate climate.

Current liabilities decreased significantly by €77.9 million to €202.0 million at the end of fiscal year 2020 (2019: €279.9 million), primarily due to the purchase price payment of €51.4 million for 49% of the shares in SGL Composites US (formerly: SGL ACF). In contrast, current provisions increased by €3.0 million, in particular due to accruals to the provisions for restructuring, which increased by €16.3 million. On the other hand, lower variable remuneration for management incentives and lower provisions for vacations and employee flexi time credits had an opposite effect, reducing other current provisions by €12.7 million.

Trade payables included under current liabilities decreased significantly by €31.1 million to €77.6 million year on year (2019: €108.7 million). Adjusting for currency effects of €2.5 million results in an operational decrease in trade payables of €28.6 million.

Net financial debt

€m	Dec. 31, 20	Dec. 31, 19	Change
Carrying amount of current and non-current financial liabilities	414.6	407.6	-1.7%
Remaining imputed interest for the convertible bonds	8.0	10.7	25.2%
Accrued refinancing cost	5.7	7.3	21.9%
Total financial debt (nominal amount)	428.3	425.6	-0.6%
Total liquidity	141.8	137.1	3.4%
Net financial debt	286.5	288.5	0.7%

Total financial debt of €428.3 million at the end of 2020 is made up as follows:

- Corporate bond 2019/2024 of €250.0 million
- Convertible bond 2018/2023 of €159.3 million
- Liabilities to banks of €19.0 million

In order to reconcile the total financial debt mentioned above with the balance sheet carrying amount of €414.6 million, the net remaining imputed interest component of minus €8.0 million for the outstanding convertible bond and total refinancing costs of €5.7 million must be taken into account. Financial liabilities are divided according to their remaining terms and correspondingly shown in the consolidated balance sheet under "interest-bearing loans" and "current portion of interest-bearing loans".

Liquidity comprises "cash and cash equivalents" and "time deposits" (with a residual term of less than 12 months). Despite the €51.4 million purchase price paid for the shares in SGL Composites LLC, liquidity increased to €141.8 million as of December 31, 2020 (2019: €137.1 million), primarily due to the positive free cash flow of €73.7 million. The balance of liquidity and total financial debt resulted in net financial debt of €286.5 million for SGL Carbon at the end of 2020 (2019: €288.5 million), which was €2.0 million lower than the figure as of December 31, 2019.

Assets not recognized and off-balance sheet financial instruments

Various assets of SGL Carbon are not included in the balance sheet. Due to accounting changes resulting from IFRS 16, material leased, pledged or rented assets are shown in the balance sheet as from fiscal year 2019. Since the application of IFRS 16, off-balance sheet financed assets consist of leases for IT equipment, vehicles and other property, plant and equipment that have a low value or are only used for a short period of time.

The total value of these off-balance sheet items and financing instruments has had no major effect on the presentation of the net assets, financial position and results of operations of the Group. Further details can be found in [Note 25](#) of the notes to the consolidated financial statements.

Off-balance sheet intangible assets also include the Company's brand name and the brand names for SGL Carbon products. In addition, SGL Carbon's long-term relationships with suppliers and customers also have considerable value. For one thing, these relationships stabilize the course of SGL Carbon's business and shield the Company from short-term market fluctuations. In addition, this very close cooperation also facilitates joint research and development projects in which the expertise and development capacities of the companies involved can be concentrated.

Funding status of pension obligations

The funding status of pension obligations, which represents the difference between the present value of the pension obligations and the fair value of the plan assets, was minus €336.6 million as of December 31, 2020, compared with minus €314.7 million as of December 31, 2019. As of December 31, 2020, the Group's pension obligations totaled €469.8 million, compared with €444.4 million at the end of 2019. The change was

primarily due to the reduction in pension interest rates in Germany and the USA. The actuarial losses from defined benefit pension plans recognized in equity (under retained earnings) increased by €29.6 million after taxes. Despite the weaker US dollar exchange rate, the status of the plan assets designated to fund the pension obligations rose slightly to €133.2 million as of December 31, 2020, up from €129.7 million at the end of the previous year, due to increased market values.

Further information on the effects in the balance sheet and the income statement, as well as on pensions and similar obligations, can be found in [Note 22](#) of the notes to the consolidated financial statements.

General statement on the current financial situation

Business overview

Covid-19 has changed our business and social lives and has had a significant impact on our business and markets in fiscal 2020. At the end of the first quarter a substantial reduction in demand could be recorded in both of our business units. This meant that we had to make additional efforts to improve profitability and our liquidity. In this regard, we initiated a restructuring and transformation project in the summer, in order to make SGL Carbon sustainably more profitable. After an in-depth analysis and planning phase, around 700 individual initiatives were defined until end of October, which will be implemented by the end of 2022 and will reduce costs by more than €100 million annually by 2023. In so doing, the necessary headcount reduction will be structured to make them as socially acceptable as possible. The transformation program relates to service areas, for which we will significantly streamline the scope, as well as the creation of four new business areas, which have been tailored in a more homogeneous manner since the start of 2021.

Even before the restructuring project was launched, early on in 2020 we commenced measures to generate liquidity, including the sale of land not necessary for our operations and also additional activities such as the agreement with Showa Denko (SDK, more details can be found on page 49). These activities and the restrictions on spending and capital expenditure have meant that we have been able to generate a substantially positive free cash flow in 2020 for the first time in seven years. As a result, we were able to increase our liquidity slightly year on

year, despite the purchase price paid for the acquisition of interests in SGL Composites US.

In terms of our operating business segments, the fiscal year was characterized by the negative impact of the Covid-19 pandemic for graphite specialties and demand recovery for carbon fibers.

After the record-breaking 2019 fiscal year, our GMS business unit, with its late cyclical business, recorded expected changes in the supply chain for lithium ion batteries and also downturns in orders in almost all market segments due to the impact of Covid-19, with the exception of the semiconductor market segment. In particular demand for industrial and chemical applications fell. That is why we substantially reduced our production pipeline during the past fiscal year, and thus also our working capital, and we limited our capital expenditure. We only continued expanding our business for fuel cell components in the Battery & other Energy market segment to become a revenue and earnings pillar. In addition, we made investments in order to uphold future environmental requirements.

Our CFM business unit was also not able to achieve its sales revenue targets for fiscal 2020. However, CFM was, for example, able to acquire new customers in the wind energy industry, and increase its sales revenue with this business by 45%. The CFM business unit participated in the global growth in wind energy.

We have only partially achieved the SGL Carbon Group's financial targets for the 2020 fiscal year. Consolidated EBIT before non-recurring items and consolidated EBITDA were both slightly higher than our forecast in 2020 and at around the same level as in the previous year, as we were able to keep our earnings stable via major one-off income. Accordingly, operating EBIT in fiscal 2020 was substantially lower than in the previous year. This is mostly due to the substantially lower contribution to earnings from the GMS business unit. The CFM business unit was able to close fiscal 2020 at a significantly higher level than in the previous year, however this only partially compensated for the substantial downturn for GMS. In addition, we had to report additional impairment for non-current assets at CFM in the amount of €106.5 million. Furthermore, restructuring expenses totaling minus €27.2 million had to be recorded, which means that we once again have to report a high net loss for the fiscal year 2020. However, as capital expenditure and expenses were significantly limited in fiscal 2020, we were able to substantially improve our free cash flow from continuing operations to €73.7 million and slightly reduce net financial debt.

New order development

Order entry showed a mixed picture at the end of 2020. All in all, the value of the order backlog for the SGL Carbon Group at the end of 2020 was lower than in the prior year.

Order backlog in the CFM business unit showed slightly positive growth. This is valid in particular for the market segments Automotive and Wind Energy. In particular our successful positioning as a carbon fiber supplier for the global wind industry contributed to positive order book growth. We were able to acquire new orders from well-known German and international premium car manufacturers in the automotive sector, however, orders in the automotive industry often have long lead times and will only result in higher sales revenues in the subsequent years.

In the GMS business unit, the impact of the Covid-19 pandemic was clearly visible from the third quarter of 2020, and order intake could not follow the excellent previous year. This affects all market segments except for semiconductors. Demand only started to recover slightly towards the end of the year.

Assessment of the financial situation by company management

SGL Carbon began fiscal year 2021 in line with our expectations. As planned, sales revenue invoiced in the first few weeks of 2020 were slightly lower than the prior-year level. The extent and duration of the possible effects of the coronavirus pandemic [Covid-19] on business activities over the next few weeks are currently not yet assessable.

Given the continuing coronavirus pandemic, we are forecasting lower sales revenue in the first quarter of 2021 in our new Carbon Fibers (CF) reporting segment compared to the first quarter of the previous year. That being said, growth in the wind industry is generally stable, which means that we are forecasting the business development to be according to plan.

In the new Composite Solutions (CS) reporting segment we are expecting sales revenue at around the previous year's level for the first quarter of 2021. As new automotive orders start to ramp up, we are expecting sales revenue to increase successively over the course of the year.

Demand in the new Graphite Solutions (GS) reporting segment stabilized or even recovered slightly at the end of 2020. We are also forecasting this level for the first quarter of 2021.

In the new Process Technologies (PT) reporting segment we are expecting sales revenues to be lower in the first quarter of 2021 than in the same period of the previous year. This is mostly due to the general declining orders from previous quarters as a result of global economic developments in connection with the Covid-19 pandemic in 2020.

As a result of the developments described in the reporting segments, we are forecasting consolidated sales revenues in the first quarter of 2021 to be lower than the figure in the first quarter of the previous year prior to one-offs. Consolidated sales revenues in the first quarter of the previous year was not significantly impacted by the Covid-19 pandemic.

In fiscal 2021, we are expecting earnings to be impacted by both the non-recurring items from purchase price allocations, and also by continued restructuring expenses. However, the latter will be significantly lower than the figure recorded in 2020.

We are forecasting capital expenditure in 2021 at the same level as amortization and depreciation, i.e., at around €60 million.

We took out a low-interest bank loan for €13.0 million at the start of the new fiscal year, which has further improved our liquidity. This will only lead to slightly higher interest expenses in the coming quarters. Exchange rate fluctuations are not expected to have a material impact on the financial result.

Accounting principles used and significant estimates made

SGL Carbon prepares its consolidated financial statements in accordance with IFRS, as detailed in the notes to the consolidated financial statements. The principles described in the notes to the consolidated financial statements are integral to an understanding of SGL Carbon's financial position, financial performance and cash flows. Under IFRS, it is necessary to make estimates in certain cases. Such estimates involve subjective evaluations and expectations that are based on uncertainty and are subject to change. As a result, assessments may change over time and thus impact the presentation of SGL Carbon's financial position, financial performance, and cash flows. The Board of Management therefore points out that estimates are routinely adjusted, given that unforeseeable events may alter expectations.

Additional information on accounting principles involving estimates and assumptions can be found in [Note 2](#) of the notes to the consolidated financial statements.

Discretionary decisions are also made by management in relation to the application of other IFRS standards. As discussions concerning the application of several IFRS standards are currently ongoing, it is not inconceivable that future decisions published on the application of IFRSs will lead to an interpretation that differs from the method currently adopted by SGL Carbon. In such case, SGL Carbon would be required to adjust its accounting practices.

Non-financial performance indicators

In addition to financial KPIs, SGL Carbon's enterprise value is also essentially determined using non-financial performance indicators. The following non-financial performance indicators play an important role in the ongoing successful development of our Company:

- Health and safety at work, and especially accident frequency rate
- Number of employees
- Research and development activities

Responsibility for the safety and health of our employees is an inherent part of the corporate culture at SGL Carbon. As a result, our employees' health and safety is one of the core values of our Company. SGL Carbon has set itself the goal to consistently prevent work-related injuries and illnesses. That is why this has been anchored in the bonus components for remuneration for top-level management from fiscal 2021. It is the responsibility of the Company's management and each individual employee to ensure a safe work environment.

Our employee trend is presented under [Note 5](#) of the notes to the consolidated financial statements. After the reduction in fiscal 2020, the number of employees will also be lower in 2021 in all reporting segments as a result of restructuring.

Our R&D activities are outlined in the Group Management Report under the heading SGL Carbon - the Group. The way SGL Carbon experiences sustainable management is being explained under the separate non-financial Group report in this annual report (from page 12).

In addition, the project "SGL Carbon. Roadmap to Sustainability" clearly prioritizes SGL Carbon's sustainability issues and works out three focus areas which are initially pursued at a Group level:

- Energy consumption and greenhouse gases
- Sustainable product range
- Sustainability risks in the supply chain (including upholding human rights and social standards).

Projects have been launched for all three topics, in order to first define the respective level of demand and the associated improvement targets. The further findings from this strategic project will be included in the business strategies for the newly defined four business units, and also in the further development of the subsequent key areas of activity by the responsible central functions. Further information and details can be found in the annual report in the separate non-financial Group report (from page 12).

Declaration concerning non-financial Group report

The separate non-financial Group report of SGL Carbon SE, which we have prepared in accordance with Sections 315b, 315c in conjunction with Sections 289c - 289e of the German Commercial Code (HGB), and shown as a separate section of the annual report, will be available on our website <http://www.sglcarbon.com>, in the section "Company/Sustainability", from March 25, 2021 onwards. In accordance with Section 317 (2) Sentence 4 of the HGB, our auditors (KPMG AG Wirtschaftsprüfungsgesellschaft) have reviewed that the separate non-financial Group report has been presented in accordance with the applicable statutory regulations. The Supervisory Board has also engaged KPMG AG Wirtschaftsprüfungsgesellschaft with the task of providing a limited assurance report on the content of the separate non-financial Group report.

Opportunities and Risk Report

Risk strategy and risk policy

SGL Carbon's risk policy is geared toward protecting shareholder value, increasing it continuously, and achieving financial targets. A fundamental aspect of our corporate strategy is to take full advantage of the opportunities arising in our dynamic growth markets. This includes not making any significant corporate decisions until after a detailed risk analysis and assessment. In order to increase growth and profitability, we consciously accept a reasonable amount of risk. However, we avoid unmanageable or unreasonably high risks if possible. Ensuring that our company has adequate liquidity reserves at its disposal at all times is our highest priority. The principles of this policy are set out in the group-wide risk management policies and represent an integral part of SGL Carbon's corporate strategy.

Risk Management System [RMS]

SGL Carbon's risk management system [RMS] is a group-wide management instrument that ensures the implementation of the risk policy. It involves the early identification, analysis, and assessment of risks and the immediate introduction and tracking of response measures. It also meets the requirements for risk early warning systems as stipulated in the German Stock Corporation Act (AktG). An opportunity management system is integrated into the RMS. This system is used to identify opportunities that will help the Company to achieve sustainable commercial success. In addition, we offer variable salary components to give managers at all levels another incentive to recognize and take advantage of potential opportunities. SGL Carbon also continuously monitors global trends to identify opportunities for the Company. The RMS integrates the management of non-financial risks as well.

The identified opportunities and risks are recorded group-wide from the bottom up by those responsible as part of the five-year plan. The risk assessment is updated as part of the quarterly reporting process. Once Group Controlling completes the assessment, it is reported to the Board of Management and summarized for the Supervisory Board. Our risk report covers the current year and includes a summary for a complete five-year planning horizon; the opportunity report covers the current year only.

Furthermore, any significant new risks or the imminent threat of existing risks are reported immediately to the Board of Management and Group Controlling, independent of the normal reporting intervals.

Opportunity and risk officers are positioned in all areas of the Company and throughout SGL's entire organizational structure – there where the risks arise and where they are controlled. This includes plants, segment and sales organizations, and corporate functions.

The Chief Financial Officer (CFO) is the Board member responsible for risk management. Group Controlling supports the Board of Management, coordinating the risk management process at the Group level. Group Controlling stipulates the structure and the tools to be used, continually develops the RMS, and ensures that the group-wide risk management guidelines remain up to date at all times for all organizational units, including the principles, definitions of terms, reporting channels, and responsibilities.

Opportunity and risk assessment

Identified opportunities and risks are assessed according to group-wide risk management standards. SGL Carbon considers risks to be each and every negative deviation from the expected results and, in contrast, considers opportunities to be positive deviations beyond the expected results.

Classification chart

Impact	Probability		
	Low	Medium	High
High (> €25 m)	Medium	High	High
Medium (€10m - €25m)	Medium	Medium	High
Low (< €10m)	Medium	Medium	Medium

Opportunity and risk class [ORC]

Low Medium High

These opportunities and risks are classified in the opportunity and risk classes [ORCs] high, medium, and low based on their impact on the results of operations, financial position and net assets. The opportunity and risk classes are calculated based on impact and probability of occurrence. Risks are distinguished between low-impact risks (under €10 million), medium-impact risks (€10-25 million), and high-impact risks (over

€25 million). The examination and presentation of the risk impact accounts for measures to reduce risk (net impact).

Internal Control System (ICS)

SGL Carbon defines an internal control system (ICS) as all policies, procedures, and measures that have been implemented by management to ensure the effectiveness and profitability of the business activities (which also comprises the protection of assets, including the prevention and detection of damages to assets), and the proper application and reliability of both internal and external accounting. While local controls are in place in all companies, all material companies have established an ICS based on group-wide standardized documentation of the risks and controls for existing process structures. Approximately 340 business processes worldwide are covered by around 850 controls. Other controls are performed automatically or with IT support. Together with the process-related controls, the foundation of a functional ICS is formed by process-independent controls and measures at management level.

The central ICS function implements, maintains, and enhances the ICS on behalf of the Board of Management. Local ICS officers support the process and control owners at the companies and serve as local contact persons for all ICS-related issues. The process owners ensure the process and control documentation is accurate and up to date. Control owners perform the controls, ensure controls are documented, and update the control documentation. Group IT serves as the point of contact for all IT-related issues and designs the IT controls. To maintain and continuously improve the effectiveness of the ICS, process controls are continuously reviewed using a control self-assessment approach.

The effectiveness of our internal accounting controls is assessed in part by independent auditors for Group companies that are subject to statutory audits. In fiscal year 2017, the ICS of a number of material subsidiaries was for the first time subjected to assessment by independent auditors according to the standard IDW PS 982 and its effectiveness certified. Suggestions to further enhance the effectiveness of the ICS were collected and implemented in fiscal year 2018. On this basis, the effectiveness of SGL Carbon's group-wide ICS according to IDW PS 982 was confirmed in fiscal year 2019. Based on this confirmation, no external audit was commissioned for 2020. However, SGL Carbon intends to continue to externally review and certify the effectiveness of its group-wide ICS according to IDW PS 982 in regular intervals.

Accounting process

The responsibilities and functions within the accounting process (e.g. local accounting, controlling, and treasury as well as group accounting) are established and strictly separated. Together with a dual control procedure, this contributes to the early detection of errors and the prevention of potential misconduct.

The SGL Carbon accounting manual defines the consistent accounting and valuation principles for all subsidiaries that are consolidated in SGL Carbon's financial statements in compliance with the International Financial Reporting Standards (IFRS). Changes to accounting regulations and the scope of consolidation are regularly incorporated into the manual and communicated throughout the Group. Group Accounting evaluates more complex subjects in detail. In order to reduce the risk of misstatements in the accounting of complex subjects, we consult external service providers and specialists, such as actuaries to prepare expert opinions concerning pensions.

The consolidated financial statements are prepared using SAP-based consolidation software and based on a standardized model chart of accounts. Binding content requirements and group-wide automated processes minimize the discretion of decentralized units when recording, measuring, and presenting assets and liabilities. For the consolidated financial statements, data is recorded and automated at company level, uploaded into the group-wide consolidation software, and then validated. Through quarterly internal declarations of completeness from the material companies, issues in agreements made that must be recognized and those that must be disclosed are identified and correctly accounted for.

Monitoring and limitations of the RMS and ICS

Group Internal Audit routinely monitors the functionality of the RMS and ICS through random sampling and other means. The Supervisory Board and Audit Committee carry out their control functions and receive a quarterly risk report from the Board of Management in which the risk situation is summarized. Furthermore, the effectiveness of SGL Carbon's ICS is also regularly reported at Audit Committee meetings.

No matter how thoroughly we have developed the RMS and ICS, both systems still have their limitations. Consequently, SGL

Carbon can neither guarantee with absolute certainty that targets will be reached, nor that false information will be prevented or uncovered. In particular, personal judgments, erroneous controls, or other circumstances can limit the effectiveness and reliability of our RMS and ICS, meaning that applying these systems group-wide may only provide reasonable assurance with regard to the correct, complete, and timely recognition of issues within Group Accounting.

Opportunity and risk areas

Risk factors that could impact the SGL Carbon's business activities are assessed in the following opportunity and risk areas. If these areas also contain opportunities, such opportunities are explicitly mentioned. It should be noted that risks currently assessed as having a low probability of occurrence could potentially cause a greater loss to SGL Carbon than risks currently assessed as having a high probability of occurrence. The risks named here could arise individually or cumulatively. Additional risks, which either have not yet been identified or are currently not classified as significant, could also affect SGL Carbon's business activities. Unless explicitly indicated, the risks described below relate to all of the Group's reporting segments.

The opportunities and risks are categorized in the following clusters:

- Opportunities and risks from external framework conditions
- Financial opportunities and risks
- Legal and non-financial opportunities and risks
- Opportunities and risks from operating activities

Opportunities and risks from external framework conditions

Opportunities and risks from price and volume development [ORC: medium]

Due to the spread of the pandemic since mid-March 2020 and the initiated lockdowns, the global economy contracted significantly in the year under review. As a result, the GS and PT business units, in particular, experienced a significant decline in order volumes in 2020 due to the coronavirus pandemic. In 2021, most market segments are expected to see a broad recovery in demand, rising incoming orders, and increased sales volumes. SGL Carbon anticipates volume risks primarily in the event that markets recover significantly slower than planned, for example, because the impact of the pandemic in the target markets continues to be felt. This could affect all market segments. Weaker

demand could also have a negative impact on prices. This risk is seen, in particular, in the LED, Semiconductor, and Industrial Applications market segments. By contrast, in other market segments, such as battery materials, SGL Carbon is largely covered by long-term contracts.

Volume risks may also arise in the CF and CS business units. Because 2021 sales revenue volumes in these business units are backed by corresponding sales contracts, particularly in the Wind Energy market segment, and capacities are, to some extent, well utilized, SGL Carbon sees opportunities and risks here, primarily in the medium term. Here in particular, the margin development in the acrylic fiber business and fierce competition in the wind energy sector must be monitored carefully. However, SGL Carbon also sees opportunities for price increases due to the low price level of carbon fibers combined with good capacity utilization. The increasing activities of Chinese competitors in the development and production of carbon fibers must be monitored carefully.

Opportunities and risks with growth projects [ORC: medium]

SGL Carbon's strategy deliberately targets markets and products with high profitability rates and dynamic development. This harbors both opportunities and risks depending on the actual development in these markets compared to the planning assumptions.

In the GS business unit, SGL Carbon aims to grow in the medium term, particularly in the fuel cell components business in the battery materials market segment. Depending on the realization of customer projects, growth targets may not be fully achieved, which could have a negative impact on the future results of operations, financial position and net assets. However, there are also opportunities through the acquisition of additional customer orders.

In the CF business unit, SGL Carbon mainly expects medium-term growth in Wind Energy. Growth opportunities are also seen in the selective pursuit of projects in the aerospace industry. Here there is the risk that the currently high entry barriers to the aerospace market will not be fully overcome or that it will take longer than expected.

In addition, SGL Carbon expects significant project-based growth in the medium term in the CS business unit in the Automotive & Transport market segment, driven in particular by increased demand for composite components, such as battery cases. If these projects experience delays or are not implemented as expected, it can have an impact on SGL Carbon's economic development.

Opportunities and risks from the future general economic trend [ORC: medium]

As an internationally operating company, global economic developments have a significant impact on SGL Carbon's future results of operations, financial position and net assets. The global economy is expected to recover significantly in the course of 2021 compared with the low level in 2020.

However, there is currently a high degree of uncertainty surrounding a recovery due to the new pandemic wave, viral mutations, and further tightened lockdown restrictions in many countries. Should this result in a sustained economic slowdown, this could also have a negative impact on SGL Carbon's business activities.

The Eurozone is benefiting from low interest rates and substantial aid programs by the respective governments. In the USA, the recent economic recovery is expected to continue in 2021. Supported by government measures, China's economy is already experiencing a broad upswing with a high expansion rate at the beginning of 2021.

By closely observing the market and economy, SGL Carbon is able to take the necessary steps in the short term and can minimize – at least temporarily – the risks that could potentially have an impact on our business. In addition, sales risks are partly offset by the wide diversification of the product range, global presence, and the numerous customer industries SGL Carbon supplies. However, if the markets develop significantly differently compared with current expectations (see Outlook), this harbors related opportunities and risks for the Company's business development.

Risks from trade restrictions [ORC: low]

Regulatory risks also result from potential changes to the legal environment in countries in which SGL Carbon does business or has customers. Examples include new or more stringent import and export restrictions, price or exchange restrictions, customs regulations, and protectionist trade restrictions. In addition to sales revenue and profitability risks, the Company may also be subject to penalties, sanctions, and damage to our reputation. We take precautions with established export control policies and obtain appropriate export permits.

Even under a new US administration, the trade conflict between the USA and China could continue to come to a head. The entry into force of further tariffs, the sanctioning of suppliers and customers, and China's new export control law could also have a negative impact on SGL Carbon's business.

Financial opportunities and risks

Opportunities and risks from obligations for pensions and health benefits [ORC: high]

Changes to the present value of the defined benefit pension plans as well as the plan assets in our pension obligations affect the funding status of our pension plans. A deviation in the actual compared with an expected actuarial development of the pension obligations with regard to the underlying parameters could have an impact on the future net assets, financial position and results of operations. In particular, the development of plan assets and of the discount rate is a significant factor affecting the pension obligations. In an environment of falling interest rates, the adjustment of the pension interest rate can result in significant losses in equity.

Modified conditions for investing plan assets in SGL pension funds can also influence the market values accordingly. The market interest rates, life expectancy of plan participants, inflation rate, pension adjustments, legal provisions, and other factors play a significant role in this. These factors could significantly influence the current level of allocations to these funds, the pension obligations currently accounted for in the form of provisions, and the resulting pension payments. Depending on the development, this could have both a negative or a positive impact on the financial performance as well as the ongoing earnings situation.

Assessment risks [ORC: medium]

If our business units do not perform as foreseen, there remains a medium-term risk related to an impairment loss on the reported carrying amounts.

Risks in the financial position [ORC: medium]

As of December 31, 2020, SGL Carbon Group had liquidity of €141.8 million. In addition, the Company has access to an undrawn syndicated credit line of €175 million maturing in January 2023. No significant due dates for financial liabilities will arise through 2023. If risks deviating from planning materialize, further measures to safeguard liquidity would be taken, such as an extension of the factoring program or additional financing measures.

The financing agreements contain contractually agreed covenants that regulate compliance with specific financial ratios during the terms of the agreements. Compliance with the covenants of the financing agreements is centrally monitored and controlled along with other financial risks. If some of the out-

lined business risks materialize during the term of the financing agreements, it is possible that SGL Carbon might not be able to maintain the relevant financial ratios.

SGL Carbon ensures that any peaks in cash requirements are covered at all times by maintaining a strict liquidity policy with rolling liquidity and financial planning based on current estimates of operating profit and cash flow in the business units that are provided to management on a monthly basis.

Global economic developments in customer industries also routinely influence the creditworthiness of our customers. This situation harbors default risks that we deal with by means of effective receivables management. This includes regularly reviewing the credit standing and payment patterns of our customers and establishing credit limits according to group-wide credit management guidelines. Bank guarantees and credit insurance also limit any possible default risks. Conversely, our suppliers also hedge receivables from SGL Carbon through trade credit insurance. Should trade credit insurers change their credit rating with regard to SGL Carbon, this could have a negative impact on the purchasing conditions.

SGL Carbon allocates investments in cash and cash equivalents predominantly to institutions among our core banks. Our decisions in this regard are guided by a number of factors, in particular a balanced distribution of funds to avoid the risk of clumping as well as the systemic importance and the ratings of the individual institutes.

Opportunities and risks from exchange rate fluctuations [ORC: low]

SGL Carbon's key financial indicators are influenced by exchange rate fluctuations arising from our global business activities. The company seeks to leverage our broad global footprint to reduce the potential impact of exchange rate fluctuations on our business activities. By optimizing operating cash inflows and outflows in a particular foreign currency, the company reduces its transaction-related currency risk. To cover any other currency risk above this level, the company enters into currency hedges using derivative financial instruments provided that these risks exceed certain materiality thresholds. In particular, a depreciation of the US dollar against the euro and an appreciation of the Japanese yen against the US dollar would have a negative impact on SGL Carbon's earnings, if unhedged. In general, a weaker euro would have a positive effect on our competitiveness and future business development. Translation risks are not hedged. All activities in connection with currency derivatives are guided by the overriding principle

of risk minimization. In addition to separating the trading, control, and processing functions, SGL Carbon also carries out regular risk analyses and assessments in this area.

Legal and non-financial opportunities and risks

Tax risks [ORC: medium]

Changes in tax law or taxation practice in individual countries in which SGL Carbon operates may lead to a higher tax expense and higher tax payments. Any corporate structuring and transfer pricing implemented is subject in part to complex tax regulations that could be interpreted differently. A potential additional tax exposure cannot be ruled out conclusively until after a final review by the tax authorities. Constantly increasing requirements in terms of tax compliance harbor the risk of additional tax expense. Tax risks may also arise in connection with the PP business separation process completed in previous years and the disposal of discontinued operations. The recognized taxes depend on the performance in the individual companies. If individual companies significantly improve earnings, there is potential in the medium term to capitalize deferred taxes.

Non-financial opportunities and risks [ORC: medium]

The non-financial risks, which comprise compliance and other non-financial risks, were classified into the risk classes as part of a structured process and based on their significance for the results of operations, financial position and net assets. The classifications were then discussed and substantiated by those responsible during a group-wide workshop. In addition, risk mitigation measures such as the existing organizational structure, processes, and controls as well as valid guidelines were evaluated for these issues. The compliance management system aims to reduce the risk of legal violations. The SGL Carbon compliance program comprises the SGL Code of Business Conduct and Ethics, whistleblower policy, global antitrust compliance policy, gifts and entertainment policy, business partner compliance program, human rights policy, and code for subcontractors and suppliers. In 2020, SGL Carbon SE's compliance management system was audited by an external auditor for the first time and was certified as meeting the requirements of the ISO 19600:2016 guideline. The compliance system was certified as having a high level of maturity and integrity. However, response measures cannot always fully mitigate process risks. The areas that have the highest risk profile are discussed below.

In order to appropriately account for the growing importance of IT risks, SGL Carbon operates a risk-based Information Security

Management System (ISMS) based on the globally recognized ISO 27001:2013 standard as well as an IT risk management system based on ISO 31000:2018 as part of a group-wide initiative. In 2020, we successfully completed the certification of individual parts of the Company in accordance with the automotive safety standard TISAX – and we plan to expand it. In addition, in 2021, SGL Carbon will begin to have individual US sites certified according to the Cybersecurity Maturity Model.

As part of SGL Carbon's IT control system, established processes are reviewed and updated on a regular basis in order to effectively prevent unauthorized access to systems and data and detect attacks early. These, as well as the data retention and disaster recovery mechanisms, are regularly checked, among other things, by audits of the International Automotive Task Force based on the IATF 16949 standard. To ensure that all business processes are handled securely, our IT is reviewed on an ongoing basis and further developed to remain state of the art. SGL Carbon has an integrated and largely standardized group-wide IT infrastructure. Global processes and security measures continuously adapted to threats protect the Company from the loss or manipulation of data as well as unexpected downtime. The availability of critical systems and infrastructures is hedged via service level agreements with the various operators. Due to the high importance of IT for proper business operations and the constantly high risks associated with IT attacks, and despite the measures described above, risks associated with our IT systems and IT infrastructure remain. These risks are continuously monitored and subjected to control measures in order to respond appropriately and in a cost-optimized manner to each individual situation.

To avoid risks associated with payment transaction fraud, SGL Carbon relies on a consistent dual control procedure. Because cases of fraud can potentially lead to heavy damages, employees involved in the process are routinely trained using examples (e.g. CFO fraud).

As an energy-intensive industrial company, risks to our financial performance arise from energy and climate protection regulations if we cannot pass, or at least not to the full extent, the additional costs on to customers in international competition. The current draft legislation under debate by the European Commission (EU Green Deal) and by Germany's federal government (Climate Pact), as well as stricter environmental regulations, such as those documented in the Paris Agreement, could force SGL Carbon to make additional investments.

Detailed information regarding other non-financial risks can also be found in the separate non-financial Group report (see also page 68).

Legal risks and risks from disposals [ORC: low]

In the case of legal disputes, SGL Carbon recognizes provisions based on the probability of occurrence as well as external legal opinions. However, the actual claims may differ from estimates and have a considerable negative impact on the future results of operations, financial position and net assets.

Due to the international nature of our business, SGL Carbon also faces a wide range of uncertainties. Some of these include the difficulties surrounding enforcement of contracts and recovery of outstanding receivables in foreign legal systems, compliance with foreign trade law, international import and export restrictions, and technology transfer law in different countries as well as the difficulties surrounding global enforcement of patent protection of our products.

In the case of disposed businesses, it is common practice for sellers to also be liable for transactions completed before the disposal date. This harbors the risk of potential negative impacts on earnings for already disposed businesses.

Risks from environmental protection laws and regulations [ORC: Low]

Extensive studies are sometimes necessary for substances or products affected by the registration, assessment, and licensing requirements prescribed by the EU legislation on chemicals (REACH). Continued developments in legislation as well as the effects of cost-intensive testing and registration procedures at European production facilities cannot currently be completely quantified. If the EU adjusts how individual materials are classified, this may incur significant additional costs to register, use, and store such materials, which could have a negative impact on our earnings. Any ban on the hazardous materials used in production could mean, in the medium term, that we would be no longer able to continue our manufacturing processes in their current form. This could have an impact on our financial position and financial performance.

Opportunities and risks from operating activities

Opportunities and risks in production [ORC: medium]

In order to achieve profitability-oriented growth targets in the medium term, the company invests in new assets and technologies. Risks such as delays in ramping up new systems or in

customer qualification could lead to a delay in realizing sales revenue.

Because the GS business unit is characterized by a comparatively high proportion of fixed costs, there is a particular risk that cost structures can only be adjusted to demand partially and with a time lag. This may have a significant temporary negative impact on earnings. If the targeted ramp-up curve in the planned growth projects in the battery materials market segment is not fully realized in the medium term, this may also have a negative impact on the expected improvement in earnings because capacities will not be used accordingly.

In the CF business unit, one major project in Lavradio (Portugal) is the successive expansion of production of our own precursor, the raw material for carbon fiber. If the precursor cannot be fully industrialized, this may have a negative impact on the expected improvement in earnings. In the CS business unit, we are planning to start up several new automotive projects. Because these involve, to a certain extent, new equipment and processes, unplanned delays and associated negative impacts on earnings may occur.

Production downtime at one or more sites could lead to delivery problems with regard to quantity and quality, which could potentially result in compensation payments to customers.

SGL Carbon's goal is also to continue to optimize and reduce our current assets relative to sales revenue. If we do not achieve this goal as planned, this could have a negative impact on planned free cash flow in particular.

Opportunities and risks in the raw material and energy markets [ORC: medium]

The company employs structured procurement concepts as well as medium- and long-term framework agreements to balance out volatility in energy markets and price fluctuations in our principal raw materials. We develop appropriate strategic concepts with our main supplier based on business relationships built up over many years.

In the GS business unit in particular, there is a risk that materials or preliminary work no longer can be purchased from existing suppliers and that new suppliers have to be qualified. Furthermore, the planned raw material prices have yet been fixed by contracts only partially.

In addition, the textile fibers market segment in the CF business unit is characterized by high fluctuations in the raw material acrylonitrile. This gives rise to opportunities and risks.

SGL Carbon aims to reduce these risks by maintaining safety stocks. However, political developments in particular in important procurement regions can have an adverse effect on the supply of individual raw materials that are difficult to substitute.

Opportunities and risks from implementing the restructuring program [ORC: low]

With the help of the restructuring program adopted by the Board of Management, the company intends to save more than €100 million by 2023 [compared with the base year 2019]. The aim is to reduce the workforce by more than 500 employees in a socially responsible manner and to substantially reduce material costs. If implemented faster than planned, we see opportunities to improve earnings greater than planned. However, if delays occur or measures are not implemented, corresponding planning risks arise. We are centrally and consistently tracking measures to mitigate these risks. In case of any negative deviations, additional measures will be defined. Our estimates for the expected one-off restructuring costs are also subject to uncertainties.

Opportunities and risks in human resources [ORC: low]

Our employees and executives are a key pillar of SGL Carbon's success. The competition for highly qualified executives, scientists, engineers, and technicians is very intense and, especially considering the demographic development in many countries where SGL Carbon does business, continues to increase. In order to achieve our strategic Company goals, we have to hire highly qualified personnel, offer them relevant professional development, and retain them permanently. To continuously cover the demand for qualified experts, SGL Carbon uses many personnel recruitment tools, such as Active Sourcing and job platforms designed for specific target groups. The loss of important knowledge and expertise as well as insufficient attractiveness as an employer could have a negative impact on the future results of operations, financial position and net assets of SGL Carbon.

Risk transfer via insurance protection [ORC: low]

SGL Carbon has global insurance coverage for major business risks. Under these policies, the risk after predefined deductibles is transferred to the relevant insurer. The company addresses the risk of defaulting insurers, in the case of material risks, by distributing the risk among several insurance companies. To protect our employees and the environment, as well as our buildings, plants and machinery, SGL Carbon continuously makes improvements to its preventive measures and routinely train the employees responsible for carrying out these measures. Coordinated visits to our facilities worldwide are

routine and part of our proactive risk management. They ensure that the identified preventive and security measures designed to reduce risk are implemented. The company makes the necessary and preventive investments to minimize risks at all sites on an ongoing basis. However, a risk remains that the insurance coverage may be insufficient in individual cases or that the insurance protection is dropped.

Overall assessment of risks and opportunities of SGL Carbon

The spread of Covid-19 has worsened again since fall 2020, and the number of new infections has increased significantly in many countries. The current impact of the pandemic varies between regions and customer industries. Governments and agencies are taking various measures to limit the spread. These restrictions can range from social distancing to broad-based lockdown measures for specific sectors of the economy or regions. The extent and duration of each measure lead to a

high degree of uncertainty in the global economy, which may also impact the expected recovery of SGL Carbon's business. Therefore, there are particular opportunities and risks in price and volume trends to both sales and procurement. The ramp-up of new projects, especially in the energy and automotive segments, also harbors opportunities and risks. A deteriorating business situation could have negative effects on liquidity. In an environment of falling interest rates, the adjustment of the pension interest rate can result in significant losses in equity. Furthermore, a change to our business assessment could have an impact on the value of our assets. Tax risks could affect our financial figures, especially in the medium term. SGL Carbon actively controls measures to secure liquidity.

On the basis of 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

Overall economic trend

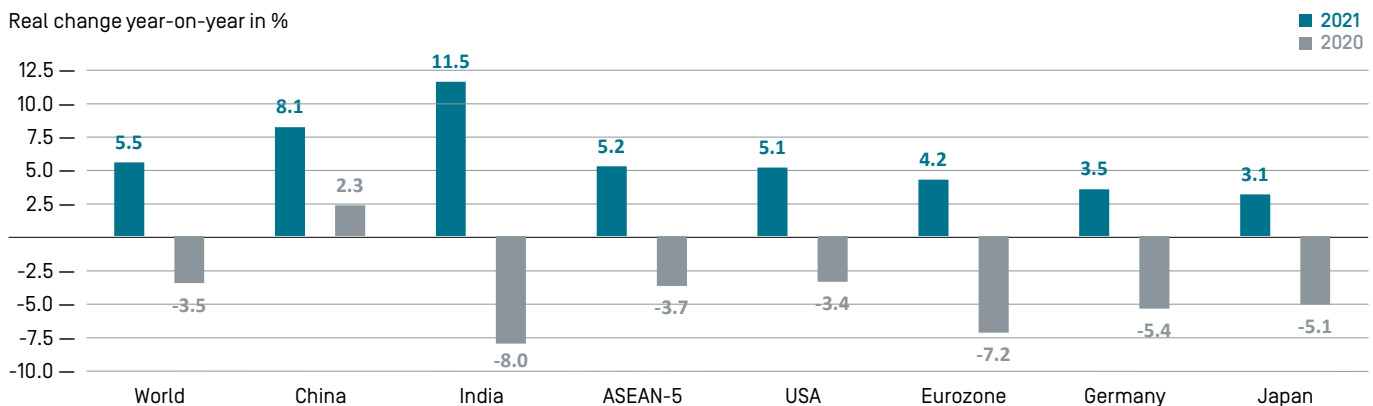
At the beginning of 2021, the second wave of the Covid-19 pandemic, virus mutations, and tighter lockdown restrictions in many countries all weighed heavily on public life and companies. Covid-19 and gradually accelerating mass vaccinations remained the key parameters for the future development of the global economy. The IMF (International Monetary Fund) expects the economy to recover during the course of 2021, with one significant driver being the upturn in China. In addition, there is still considerable fiscal stimulus in place, and monetary policy is expansionary.

The agreement reached between the EU and Great Britain avoided a hard Brexit, and the new US government is striving to normalize its international relations. As a result, the burdens created by trade disputes and protectionism should fade more and more into the background. The IMF expects world trade to pick up noticeably in 2021, gaining by 8.1%.

In addition to the uncertainty surrounding the evolution of the Covid-19 pandemic, the major risk factors are income loss and the dramatic increase in national debt. In such an environment, turbulence on the exchange and capital markets cannot be ruled out for 2021. In that sense, the development of the global economy will continue to remain susceptible to disruption.

In January 2021, the IMF raised its economic forecast slightly. It now expects global economic growth of 5.5% in 2021, instead of the 5.2% it forecast in October. In the process, the economies of established industrialized nations should recover noticeably, growing by a total of 4.3%. Meanwhile, in emerging and developing countries the IMF anticipates collective economic expansion of 6.3%.

Gross domestic product 2021 [2020] at a glance



Source: IMF, World Economic Outlook (Update), January 2021.

World economy set for significant recovery in 2021, but fraught with risk due to Covid-19 pandemic

In the USA, the most recent economic upturn should continue in 2021, provided that the Covid-19 pandemic is successively overcome. Expansive financing on the part of the US Federal Reserve and large-scale government programs intended to combat the negative impact of Covid-19 are having a stimulat-

ing effect, as both are boosting private consumption and investment. Exports should also rise in the wake of a global economic recovery. The IMF forecasts growth of 5.1% for the USA.

The Eurozone is also benefiting from lower interest rates and the substantial stimulus programs being offered by the respective national governments and the EU as a whole. Lockdowns should be eased over the course of the year so that the economy can begin to bounce back from its current lower level. Industry will benefit from more buoyant domestic demand and

increased exports. According to the IMF, the Eurozone will grow by 4.2% in 2021.

The German economy will show a dual trend in 2021. The Kiel Institute for World Economics (IfW) anticipates that consumer-related sectors will continue to be adversely impacted, and that private consumption will only recover slowly. In contrast, the construction industry will remain unfazed, developing robustly. Industry should also survive the second wave of the Covid-19 pandemic relatively unscathed and continue to pick up pace in 2021, benefitting from increased investment and exports. According to the IMF, the German economy will grow by 3.5%.

Supported by government measures, China's economy is already experiencing a broad upturn accompanied by rapid expansion during the first months of 2021, which is also providing stimulus to neighboring countries and established industrialized nations. The IMF expects the Chinese economy to grow by 8.1% in 2021. It also anticipates a significant upturn for the ASEAN-5 countries and India. Accordingly, Brazil and Russia will also recover from the current economic recession over the course of 2021.

Industry trends

Market segment Digitalization

Semiconductors/polysilicon: Progressive digitization driving demand for semiconductors and capital expenditure on semiconductor production capacities

The semiconductor industry processes just under 10% of the global production of polysilicon. Digitization is driving this market structurally. In addition to the classic consumer and office segments (IT), control and networking of mobility and industry processes are also gaining in importance. Significant investments are being made around the world in the development and expansion of 5G infrastructure, in order to establish a comprehensive data network for trade and industry (Industry 4.0), as well as for automobiles (assistance systems and autonomous driving) in the future. The semiconductor market is growing by an average of 5% per year (2016-2024). World Semiconductor Trade Statistics (WSTS) expects sales revenue in the semiconductor market to grow by 8.4% in 2021, with increases in all regions and product areas. The dominant segment of the industry – integrated circuits – is expected to grow by 8.3%, while memory devices are even expected to grow by 13.3%. In such an environment, the semiconductor industry will continue to increase its capital expenditure on production facilities and

equipment. For 2021, the industry association SEMI anticipates that such capital expenditure will increase by 4.4% to about USD 72 billion. With our graphite products, SGL in particular serves the buoyant wide band-gap semiconductor market segment and is thus participating in the strong growth of that market.

LED: Attractive growth due to digitization and miniaturization

LEDs have a wide range of applications, from lighting (private, commercial, industrial, public) to consumer electronics and various industrial applications, to use in the agricultural and medical sectors, to the automotive industry. Thanks to that variety, the LED market is a volume market, which is experiencing dynamic growth of 13% per year (2019-2024), according to industry experts at Technavio. The absolute market volume for LEDs is set to grow by almost USD 26 billion during the same period. Digitization, with smart control systems, and urbanization are important drivers of demand. Globally, the market for street lighting is growing by 4% per year. The growth for LEDs is higher because traditional light sources are being substituted with LEDs. The automotive industry is another significant user of LEDs, as more and more vehicles are being equipped with LEDs and sensors. According to a recent forecast issued by TrendForce, the sales revenue generated by LEDs in the automotive sector is growing by 4% annually (2019-2024). The market for LEDs used in industry should grow by 7% annually during the same period. Above-average growth is being seen with micro LEDs, which, among other things, are replacing OLED technology in televisions. SGL Carbon's graphite solutions business should benefit from such dynamic market growth, thanks to its strong position in the LED value creation chain.

Market segment Mobility

Automotive industry: Lightweight construction and specialty products for alternative drives with more momentum

Provided that the Covid-19 pandemic is successively overcome, demand for automobiles should recover. For 2021, Moody's anticipates sales of light vehicles to increase by just under 10% to 80 million vehicles. In the narrower global market for passenger cars, the German Automotive Industry Association (VDA) forecasts an increase of 9% to 73.8 million cars (with the number of cars sold in China increasing by 8%, in the USA by 9%, and in Europe by 12%). Nevertheless, the automotive industry remains under pressure. On the one hand, with the exception of China, the number of automobiles being sold is still well be-

low pre-crisis levels. On the other hand, technological upheaval is accelerating at the expense of combustion engines. The International Energy Agency (IEA) anticipates that electric vehicles (EVs) will become a true volume market in a few years time. According to the IEA's baseline scenario, 14 million EVs will already be sold worldwide in 2025, rising to 25 million EVs in 2030. In its more optimistic 'sustainability scenario', sales could even reach more than 45 million EVs in 2030. For lightweight automotive construction with carbon fibers, market experts at Mordor Intelligence anticipate growth of almost 11% per year during the years 2019 to 2024. The prospects for the specialty applications in lightweight automotive construction and alternative drives, with batteries and fuel cells, are thus becoming more and more attractive.

Aerospace: Airline industry in crisis mode – great long-term potential for CFK lightweight construction

In light of the current crisis in commercial aviation (for both airlines and manufacturers), previous market forecasts are now obsolete. Airbus had its sights set on doubling its global fleet by the end of the 2030s, which no longer seems realistic. Although it can be expected that the Covid-19 pandemic will be overcome and that aircraft operations will recover, it will still take several years to close the gap. In particular with regards to 2021, the burdens on tourism and business travel will remain significant. Nevertheless, the prospects for SGL Carbon in aerospace lightweight construction remain positive over the long term. Carbon reinforced plastics are indispensable, thanks to their material properties (low weight, high resistance/stiffness and excellent fire protection ratings). Innovative carbon reinforced plastics are already being used to a significant extent in modern aircraft (such as the Boeing 787 or Airbus A350), as well as small planes, helicopters and drones. SGL Carbon is well positioned with its extensive portfolio of prepreps and semi-finished textile fiber products for secondary structural components in passenger compartments (such as floor panels and partition walls). There is a lack of momentum for construction and modernization in 2021, however.

Market segment Energy

Fuel cells: Stage set for double-digit growth – PEMFC continues to dominate technologically

The applications for fuel cells (FCs) are numerous. The dynamically growing demand for climate friendly energy and clean drive systems is structurally driving fuel cell technology. Current development priorities in fuel cell technology are vehicle drive systems, stationary and decentralized energy generation, and energy supply for mobile applications. The initiatives

started recently in Germany and other countries to construct a green hydrogen economy will continue to stimulate the use of fuel cells over the medium to long term. In the short term, demand is coming from stationary, decentralized energy generation in buildings and central heating plants. In addition, demand from the automotive industry is gaining in importance. Market researchers at Mordor Intelligence and Grand View Research expect the global fuel cell market to grow by about 15% annually over the medium term (up to 2025, or 2027, respectively). Other specialists even anticipate increases as high as 26% per year after the Covid-19 pandemic is overcome (Research and Markets, 2020 - 2025). It is also expected that the PEMFCs (polymer electrolyte membrane fuel cells) that SGL Carbon produces will remain the leading type of fuel cell in the future. As a result, SGL Carbon has a good chance of benefiting from the dynamic potential of the market.

Lithium-ion batteries: Sustained boom thanks to digitization and e-mobility

The global expansion of 5G technology will accelerate the networking of data in all areas of life and the economy. Digitization is also leading to a significantly broader range of smart mobile applications, and e-mobility volumes are increasing, which is driving the sales of lithium-ion batteries structurally and dynamically. Market researchers unanimously anticipate sales revenue in the global lithium-ion market to grow by a good 15-18% annually up to the years 2026/2027. At the same time, market volume should increase from USD 36 billion (2019) to well over USD 100 billion. The lion's share of the lithium-ion market goes to the automotive industry. According to a study released by Mordor Intelligence, the automotive segment of the lithium-ion battery market is growing by about 16% annually. Furthermore, experts anticipate that market volumes of anode materials for automotive lithium-ion batteries will grow by a nominal 5.7% per year between 2020 and 2030. Owing to the substantially higher sales volumes, the prices for anode material are falling. Market researchers estimate that anode material made from graphite will continue to dominate the market in the future, owing to its various advantages over other anode materials, such as better recyclability, higher energy yield and lower costs. For that reason, SGL Carbon is very well positioned technologically, with its Graphite Solutions (GS) reporting segment.

Wind industry: Unabated strong market growth – demand for carbon fibers on an upward trend

The wind industry is growing dynamically around the world. In addition to the construction of wind parks, established markets are also focusing on repowering on land (onshore), i.e. the replacement of old plants. Offshore wind energy is also gaining in importance at sea. In addition to the large wind markets in

China and the USA, India, the UK and Spain are also investing substantially in the development of wind energy. Latin America, Southeast Asia and the Middle East are also attractive growth regions. The Global Wind Energy Council (GWEC) believes that, in light of the accelerating energy transition taking place around the world, wind energy continues to be on the right track. It has announced a new record of 78 GW for new installations around the world in 2021, equating to an increase of 9%. By the end of 2024, the GWEC expects cumulative new installations to reach 348 GW, corresponding to growth of 8.5% per year (2020 - 2024). In the offshore segment, more than 48 GW in capacity is to be installed by the year 2024. As a result of large rotor diameters and the extreme conditions to which offshore rotors are exposed, carbon fibers are frequently used in the cores of rotor blades. As a result, the outlook for SGL Carbon's business with carbon fibers for the wind industry remains extremely positive in such an environment.

Solar / polysilicon: Photovoltaic (PV) boom to return in 2021 – surge in demand for polysilicon too, but risk of overcapacity

The global development of regenerative energy is driving the photovoltaic market. Market researchers at IHS Markit anticipate that the PV market will recover from the setbacks caused by the Covid-19 pandemic, returning to its previous dynamic growth in 2021. As a result, installations should increase by 20% to about 140 GW in 2021. Other market estimates are even announcing installations of up to 170 GW for 2021. The upstream, capital intensive production of polysilicon is cyclical and highly competitive. Industry specialists at Bernreuter Research anticipate that the market for polysilicon will enter a new phase of dynamic growth in demand in 2021. As a result of large-scale capacity expansion in China, however, there will be the renewed danger of an oversupply of polysilicon starting in 2022. The market is undergoing a structural shift away from multicrystalline polysilicon to high-grade monocrystalline polysilicon, with the corresponding investments taking place – offering good optional opportunities for SGL Carbon. We will remain focused on the semiconductor and LED market segments, however, which are more attractive for SGL Carbon.

Market segment Chemicals

Chemicals industry set for accelerated recovery in 2021 – willingness to invest may pick up again

For 2021, the German Chemical Industry Association (VCI) anticipates that the global production of chemicals and pharmaceuticals will grow by 4.8% [with chemicals growing by 4.6% excluding pharmaceuticals] – presuming that the Covid-19

pandemic is overcome and industrial activity (which the VCI estimates could grow by 6.1%) picks up around the world. At the same time, the VCI expects chemical production in China to expand dynamically, increasing by 8.0%, while production in emerging markets like India (+13.5%), Brazil (+5.0%) and Russia (+3.5%) should grow accordingly. Robust sector growth has also been announced for the USA (+2.5%), South Korea (+2.5%) and the EU (+3.0%). After years of at times significant production shortfalls, Japan's chemicals industry should stabilize, growing by about 0.5%. With regard to chemicals production in Germany, the VCI is cautiously confident, anticipating growth of 1.5%. Accordingly, all segments of the industrial chemicals sector could pick up somewhat, with slightly above average growth for polymers of 3.0%, and for fine and specialty chemicals of 2.0%. The propensity to invest in Europe's chemicals industry could gradually increase in 2021, but will likely remain restrained overall. As a result, no significant momentum for SGL Carbon is anticipated in the chemicals sector for the time being.

Overall assessment of the Group's anticipated performance by Company management

The comments in our Outlook are based on our four new operating reporting segments: Graphite Solutions (GS), Process Technology (PT), Carbon Fibers (CF), and Composite Solutions (CS). In addition, we also have a fifth reporting segment, Corporate, in which central functions are consolidated [for information on our organizational and reporting structure, please refer to the Management Report under the section titled "SGL Carbon – the Group"].

The Group outlook and the outlook for our main business segments are based on the aforementioned expectations relating to the general performance of the economy and industry trends. The magnitude and duration of the individual measures introduced to fight the Covid-19 pandemic are leading to a high degree of uncertainty in the global economy, which may impact the anticipated recovery of our business. In some parts of our reporting segments, the anticipated development will also depend on our customers' large projects. If development differs from our projections, this could impact the Group either positively or negatively. Distortions in the prices of essential raw materials may also influence our earnings forecast. Further details can be found in the Opportunities and Risk Report.

Moreover, in order to focus even more strongly on cash flow for the purposes of internal control in the current challenging overall environment, we will use EBITDA pre-exceptional items as the key performance indicator for our business units. By doing so, we are depicting the sustainable cash earnings potential of our Company's business areas. Consequently, our outlook for 2021 is also based on the EBITDA pre-exceptional items.

For 2020, the EBITDA pre-exceptional items amounted to €92.8 million. The figure is calculated from the operating EBIT before non-recurring items of €19.5 million (a detailed explanation can be found in the Economic Report), by deducting included depreciation and amortization of €73.3 million.

For 2021, we will calculate the EBITDA pre-exceptional items by adjusting operating profit/loss (EBIT) for the following:

- depreciation in accordance with IFRS, i.e. straight-line depreciation including the effects of impairment (IAS 36), purchase price allocations (IFRS 3), and depreciation on assets held for sale in accordance with IFRS 5
- restructuring expenses
- proceeds from the sale of land and buildings
- proceeds from insurance claims, provided they are not counterbalanced by any offsetting items during the reporting period
- other material one-off impacts, which are not reflecting the underlying business development

Group performance

The following table provides an overview of relevant financial Group targets and the respective outlook for 2021:

Group financial targets

€m	Actual 2020	Outlook 2021 ¹⁾
Sales revenue	919.4	920 to 970
EBITDA pre-exceptional items	92.8	100 to 120
Return on capital employed (ROCE _{EBIT})	4.5%	slight improvement
Consolidated net result - continuing operations	-132.9	-20 to 0

¹⁾ "Slight" indicates a variation of up to 10%; "significant" indicates a variation of more than 10%

Following the dramatic economic slump seen in 2020, we anticipate that fiscal year 2021 will be marked by a moderate recovery. Sales revenues should be above the level of the previous year, within the range of €920 million to €970 million. We expect our adjusted EBITDA to improve to between €100 million and €120 million, which should in particular positively reflect the savings generated by the restructuring measures we have initiated. Following a consolidated net loss – continuing operations of €1329 million in fiscal year 2020 – which can primarily be attributed to impairment loss in CFM and restructuring expenses – the consolidated net result of continuing operations should improve significantly in 2021, ranging between a loss of €20 million and a balanced result.

Business trends in reporting segments

Segment	KPI	Actuals 2020	Outlook 2021 ¹⁾
GS	Sales revenue	407.5	slight improvement
	EBITDA pre-exceptional items	63.1	significant improvement
PT	Sales revenue	88.2	constant
	EBITDA pre-exceptional items	3.4	constant
CF	Sales revenue	303.9	constant
	EBITDA pre-exceptional items	41.4	slight improvement
CS	Sales revenue	88.6	significant improvement
	EBITDA pre-exceptional items	-4.7	slightly positive
Corporate	EBITDA pre-exceptional items	-10.4	significant decline

¹⁾ "Slight" indicates a variation of up to 10%; "significant" indicates a variation of more than 10%

For our Graphite Solutions (GS) reporting segment, we expect demand to recover gradually in 2021, as a result of which sales revenues in all market segments should improve slightly or at least remain constant. In particular due to the savings generated by restructuring measures, we anticipate EBITDA pre-exceptional items to improve significantly. In our Process Technology (PT) reporting segment we are not yet seeing any significant momentum, as the chemicals industry continues to be reluctant to invest in new projects. As a result, we anticipate that sales revenue and earnings in PT will remain on the level of the previous year. In our Carbon Fibers (CF) reporting segment, we expect sales revenue to be on the level of 2020, while EBITDA pre-exceptional items should improve slightly due to

the restructuring measures that have been initiated. Sales revenue in our Composite Solutions (CS) reporting segment will increase significantly in 2021, as new automotive projects are launched, such as the production of battery cases made from composite materials. The increase in sales revenue will in particular contribute to a positive EBITDA pre-exceptional items. The significant deterioration to EBITDA pre-exceptional items in our Corporate reporting segment can mainly be attributed to the fact that the comparable figure for 2020 benefited from lower expenses for management incentive plans.

Capital expenditure approximately on level of depreciation and amortization, balanced free cash flow

After limiting capital expenditure to about €55 million in the year under review, for the current fiscal year we expect capital expenditure to be on the level of depreciation and amortization, which should decrease to about €60 million in 2021, due to the impairment on fix asset recognized in 2020. Capital expenditure will focus on the continued expansion of our production facilities for fuel cell components, as well as on the project-related expansion of our production facilities for composite

materials (e.g. for battery cases) for customers from the automotive industry.

The Group's financing requirements are determined by the strategic business plans of our operating business units, which are reviewed and adjusted annually based on new projections. By constantly managing cash flow, selling land not required for operations, and significantly reducing working capital, we have achieved positive free cash flow in 2020. Available liquidity and our financing framework all provide sufficient means to cover our anticipated liquidity requirements for 2021. As business recovers over the course of 2021, we expect working capital to increase, which we will finance from our own resources so that we achieve balanced free cash flow overall.

Dividend performance

Due to the accumulated losses of our parent company SGL Carbon SE in fiscal year 2020, the Company has no capacity for the distribution of dividends. Additional growth will allow our Company to operate more profitably on a sustainable basis. Only then will the payment of earnings-related dividends be possible.

Remuneration Report

Remuneration for the Board of Management in fiscal year 2020

The Annual General Meeting of SGL Carbon SE approved the previous Board of Management remuneration system on April 30, 2014 by a majority of the votes cast [99.64%]. In the year under review, the Supervisory Board reviewed the remuneration system and amended portions of it [2020 Board of Management Remuneration System].

The Supervisory Board essentially found that the components of the system already in place – base salary (plus fringe benefits), short-term variable remuneration, long-term variable remuneration, contributions to retirement benefit plans, and a shareholding requirement – were still appropriate and reasonable. The Supervisory Board has now modified the system to place greater emphasis on sustainability issues (especially environment, social/employees and corporate governance/compliance) when determining short-term variable remuneration, specified the share of the individual remuneration components in total remuneration, and introduced rules on retaining or reclaiming variable remuneration in the event of serious breaches of duty or compliance obligations and/or errors in calculating the amount [“clawback”].

The Annual General Meeting of SGL Carbon SE approved the 2020 Board of Management Remuneration System at its meeting of June 16, 2020 by a majority of the votes cast [98.93%]. The Board of Management remuneration system can also be viewed on the Company's website.

Board of Management in 2020

The Articles of Incorporation of SGL Carbon provide that the Board of Management should generally consist of two or more members. Effective June 1, 2020, the Supervisory Board of SGL Carbon SE appointed Dr. Torsten Derr (51) as Chief Executive Officer of SGL Carbon SE for a term of five years. With this appointment, Dr. Torsten Derr succeeded Dr. Jürgen Köhler, who resigned from his position as Chief Executive Officer of SGL Carbon SE effective August 31, 2019. The Supervisory Board of SGL Carbon SE additionally appointed Mr. Thomas Dippold (48) to the Board of Management of SGL Carbon SE as a member for a term of five years. As agreed, the appointment of Mr. Dippold to the Board of Management effective October 15, 2020 ended Dr. Stephan Bühler's temporary position on the Board of Management. Dr. Bühler subsequently resumed his previous role of General Counsel and Chief Compliance Officer of SGL Carbon based

on his previous employment agreement. Effective December 1, 2020, Mr. Dippold took over the office of Chief Financial Officer from long-time CFO Dr. Michael Majerus, who left the Company as of November 30, 2020 by mutual amicable consent.

Structure of Board of Management remuneration

The remuneration paid to the members of the Board of Management includes non-performance related salary and non-cash components as well as retirement benefit commitments and performance-related (variable) components.

The non-performance-related components include a fixed annual salary (basic remuneration), fringe benefits, and an annual contribution to retirement benefits. The basic remuneration [€650,000 p.a. for Dr. Derr, €450,000 p.a. for Mr. Dippold, €500,000 p.a. for Dr. Majerus, and €465,000 p.a. for Dr. Bühler] is paid out in twelve equal installments at the end of each month. The fringe benefits primarily consist of the use of a company car, including a shared chauffeur. D&O insurance with a deductible as specified by the German Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK) is also included.

The performance-related components consist of a one-year variable remuneration component [SGL Carbon Bonus Plan, STI] and a multi-year variable remuneration component [SGL Carbon Long-Term Incentive Plan, LTI].

The remuneration paid to the Board of Management is reviewed at regular intervals by an independent external expert using horizontal and vertical comparisons and approved by the Supervisory Board. The horizontal comparison references peer group companies listed on a German stock exchange [SDAX companies]. The vertical comparison is a comparison of remuneration within the Company and focuses on the correlation between Board of Management remuneration and the remuneration paid to non-executive staff employed in Germany as well as the remuneration paid to senior management of the SGL Carbon Group.

SGL Carbon Bonus Plan

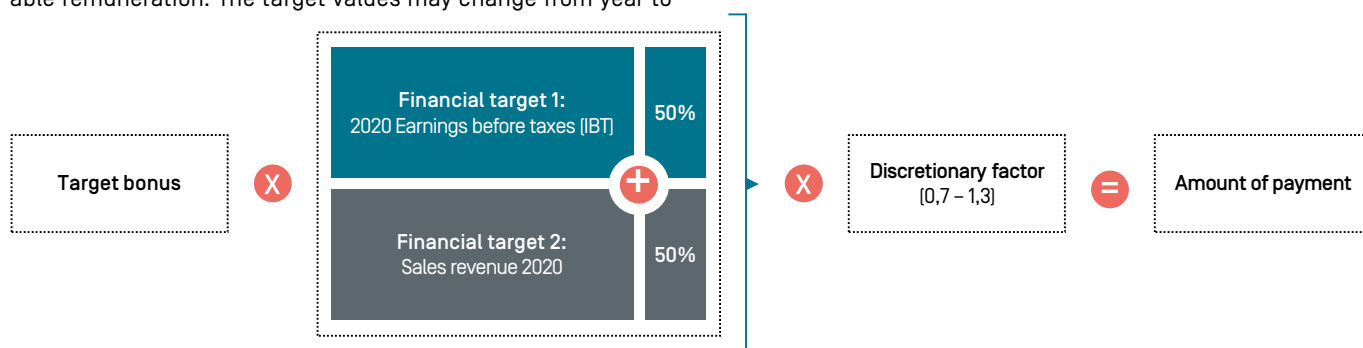
The one-year variable remuneration for the members of the Board of Management is measured on the basis of a target bonus defined individually for each Board member [€450,000 p.a. for Dr. Derr, €310,000 p.a. for Mr. Dippold, €400,000 p.a. for Dr. Majerus, and €350,000 p.a. for Dr. Bühler]. The amount paid out

depends upon the achievement of financial and individual performance targets within the fiscal year. For 2020, it was agreed with respect to Dr. Derr and Mr. Dippold that a minimum of €450,000 would be paid out to Dr. Derr and €25,834 to Mr. Dippold in March 2021 to compensate for disadvantages associated with taking up office.

As a general rule, the Supervisory Board sets two financial performance targets per year when determining the one-year variable remuneration. The target values may change from year to

year, and are weighted equally at 50%. The target achievement level can range from 0% to 200% per target. The Supervisory Board sets the minimum and maximum targets.

To calculate the one-year variable remuneration, the figure resulting from adding the two financial performance targets is multiplied by a discretionary performance factor of between 0.7 and 1.3 [see illustration].



With respect to the discretionary performance factor, the Supervisory Board sets at least three targets in advance for each member of the Board of Management. Those targets play a role in determining the level of the discretionary performance factor after the performance period has ended and include material sustainability targets (environment, social/workforce, governance/compliance). When setting the discretionary performance factor after the end of the performance period, the level of achievement of the aforementioned targets is a criterion considered by the Supervisory Board in the overall view; the Supervisory Board is otherwise free to set the discretionary performance factor at its own discretion within this framework.

The payout is capped at 200% of the target bonus.

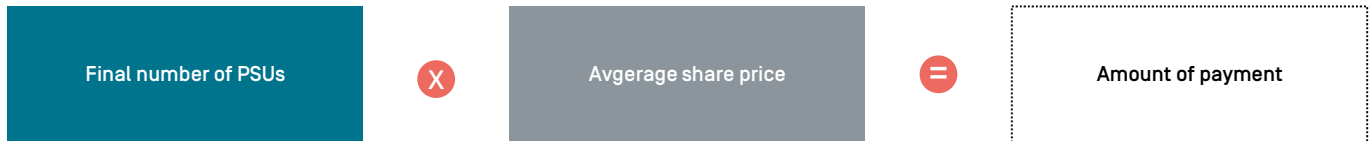
SGL Carbon Long-Term Incentive Plan

Members of the Board of Management are entitled to multiyear variable remuneration in the form of a Long-Term Incentive Plan (LTI). The purpose of the LTI plan is to reward the recipient for the Company's sustained long-term performance. The Company's performance is reflected by the multi-year Return on Capital Employed – ROCE_{EBIT} trend (performance target) and the share price. One tranche from the plan is granted each year.

The Supervisory Board sets the target ROCE_{EBIT}, including the relevant minimum and maximum thresholds, for a period of up to four years.

Upon granting the plan tranches, an allocation amount in euros is established for each Board member (€700,000 p.a. for Dr. Derr, €490,000 p.a. for Mr. Dippold, €700,000 p.a. for Dr. Majerus, and €545,000 p.a. for Dr. Bühler). Based upon these amounts, a preliminary number of virtual shares (performance share units, or PSUs) is calculated for each tranche. The number of preliminary PSUs is calculated at the start of the relevant performance period by dividing the allocation amounts by the average share price before the start of the performance period.

After a period of four years, the degree of ROCE target attainment is determined. A payout is made only if the minimum ROCE target is reached. The final number of PSUs is limited and can be between 0% and 150% of the preliminary number of PSUs. The potential payout amount is calculated from the final number of PSUs multiplied by the average share price at the end of the performance period. The total amount to be paid out is capped at 200% of the allocation amount on the date granted. Payouts are made in cash.



Shareholding requirements

Members of the Board of Management are generally required to permanently hold a fixed quantity of shares in SGL Carbon SE for the duration of their term on the Board. For the CEO, the number of shares to be held is based on his fixed annual salary. For the other members of the Board of Management, the number of shares to be held is based on 85% of their fixed annual salaries. The number of shares to be held is calculated by dividing the fixed annual salary (or 85% of the fixed annual salary) by the arithmetic mean of the XETRA closing prices of SGL shares for the last 60 trading days prior to the start of the Board member's service agreement and must be built up successively over four years, unless the Board of Management member already fulfills the shareholding requirement. The shareholding requirement did not apply to Dr. Bühler due to the temporary nature of his appointment to the Board of Management.

The Supervisory Board is entitled to redefine the number of shares to be held in line with the method described when the Board of Management is reappointed.

Maximum total remuneration; clawback

The remuneration system also places a cap on the amount of annual gross remuneration that could theoretically be paid to the members of the Board of Management (including contributions to the company retirement benefits plan) in consideration of all remuneration components. The maximum remuneration is capped at €3,600,000 for Dr. Derr and €2,280,000 for Mr. Dippold and amounted to €3,100,000 each for Dr. Majerus and Dr. Bühler.

The 2020 Board of Management remuneration system, which applies to Dr. Derr and Mr. Dippold, permits a clawback of some or all of the variable remuneration paid to a Management Board member for a fiscal year, or, in the case of a violation of the Compliance Clawback provision, also the withholding of such remuneration prior to the end of a performance period, pro-

vided (i) the respective Board of Management member is in serious breach of statutory obligations or the Company's internal codes of conduct (Compliance Clawback), or (ii) the variable remuneration components were unjustly paid out on the basis of false data (in the amount of the difference between the correct amount and the actual disbursement).

Benefits after leaving the Board

If a member's appointment to the Board of Management is terminated prematurely – either by mutual consent, revocation, resignation, or termination as a result of procedures under corporate law in accordance with the Transformation Act (UmwG) – the Board member receives a maximum severance amount equal to two years' annual remuneration. This does not apply if the Board member is at fault for his or her removal from the Board or if the Board member leaves the Board without good cause. If the remaining term of the Board member's service agreement is less than two years, the severance amount is reduced on a pro-rata basis. The amount of the annual remuneration to be used as a basis is determined by the total amount of the fixed salary and the variable remuneration components based on a target attainment of 100% and excluding non-cash compensation and other fringe benefits for the last full fiscal year prior to the end of the Board member's Board service agreement. There is no commitment to pay benefits if a Board member's appointment to the Board is terminated prematurely due to a change of control.

As a rule, Board members are subject to a one-year ban on competition after their contracts end. As compensation, the Company pays the members of the Board of Management a non-compete bonus equal to 50% of their annual remuneration for the duration of the non-compete period. Under the 2020 Board of Management Remuneration System, the amount of the annual remuneration to be taken as a basis is determined by the total amount of the fixed salary and the short-term variable remuneration components based on a target attainment of 100% excluding non-cash compensation and other fringe benefits for the last full fiscal year prior to the end of the Board

member's Board service agreement. Any other income received by the Board member is offset against the non-compete bonus. According to the 2020 Board of Management Remuneration System any severance payments will be offset against the non-compete bonus.

Dr. Majerus left the Company by mutual amicable consent, in which context his employment contract was terminated by mutual agreement effective November 30, 2020 (date of cessation). As provided for in his employment agreement, Dr. Majerus received severance payment totaling €933,333, all of which was paid out in fiscal year 2020. The variable remuneration components (STIs and LTIs) that were granted for the outstanding tranches pro rata up to the date of cessation will be paid out on the future due dates. During the non-compete period, Dr. Majerus will additionally receive monthly compensation of €73,242 for a period of six months beginning in December 2020 and ending in May 2021 for a total of €439,452. His severance agreement provided for a lump-sum payment of €175,000 for fiscal 2020 in lieu of the contractually agreed retirement benefits components amounting to €140,000. The increase in Dr. Majerus' benefits for 2020 serves to cover his pro-rated retirement benefits components through June 30, 2021 – the original date of cessation of his employment agreement. In other respects, the pension provisions allocated to Dr. Majerus had already been fully allocated as of December 31, 2020.

Given the temporary nature of his appointment to the Board of Management and subsequent resumption of his prior role as General Counsel and Chief Compliance Officer, no severance or compensation payment for early termination is owed to Dr. Bühler.

Total remuneration for the Board of Management in 2020 (benefits granted)

Total remuneration for the members of the Board of Management (based on benefits granted) was €3,366,873 (2019: €3,025,506) for fiscal year 2020. Of this total remuneration, €1,299,319 was allotted to fixed remuneration (2019: €1,032,736), €74,280 to fringe benefits (2019: €32,338), €475,834 to one-year variable remuneration (2019: €318,089), €1,109,456 to multi-year variable remuneration (2019: €1,283,170), and €407,983 to retirement benefits (2019: €359,173). As of the date of preparation of these financial statements, the Supervisory Board had not yet made a final decision on the annual performance-related amounts to be paid out for 2020. The annual performance-related amounts are presented based upon the preliminary figures and an assumption regarding performance factors, and represent the amount expected to be paid out in each subsequent fiscal year. The members of the Board of Management were granted PSUs from the LTI plan as their multi-year variable remuneration.

The LTI tranches granted in fiscal year 2020 were based on a four-year performance period for the Board members. The following remuneration was extended to the active members of the Board of Management in the 2020 reporting year (individualized presentation):

Benefits granted (€)	2020	Dr. Torsten Derr Chief Executive Officer (since June 1, 2020)		2020	Thomas Dippold Chief Financial Officer (since October 15, 2020)	
		Min.	Max.		Min.	Max.
Fixed remuneration	379,167	379,167	379,167	95,455	95,455	95,455
Fringe benefits	23,240	23,240	23,240	1,258	1,258	1,258
Total	402,407	402,407	402,407	96,713	96,713	96,713
One-year variable remuneration ²⁾	450,000	450,000	525,000	25,834	25,834	129,167
Multi-year variable remuneration ¹⁾	416,111	0	832,222	104,712	0	209,424
LTI 2019-2022	N/A			N/A		
LTI 2020-2023	416,111	0	832,222	104,712	0	209,424
Total	1,268,518	852,407	1,759,629	227,259	122,547	435,304
Retirement benefits	132,694	132,694	132,694	34,753	34,753	34,753
Total remuneration [German Corporate Governance Code] ³⁾	1,401,212	985,101	3,600,000	262,012	157,300	2,280,000

Benefits granted (€)	Dr. Michael Majerus Spokesman of the Board of Management (till November 30, 2020)				Dr. Stefan Bühler Legal and Compliance (till October 14, 2020)			
	2019	2020	Min.	Max.	2019	2020	Min.	Max.
Fixed remuneration	500,000	458,333	458,333	458,333	99,402	366,364	366,364	366,364
Fringe benefits	17,792	42,159	42,159	42,159	2,016	7,623	7,623	7,623
Total	517,792	500,492	500,492	500,492	101,418	373,987	373,987	373,987
One-year variable remuneration ²⁾	177,588	0	0	800,000	36,908	0	0	550,411
Multi-year variable remuneration ¹⁾	700,000	160,137	0	320,274	116,504	428,496	0	856,992
LTI 2019-2022	700,000		0	0	116,504		0	0
LTI 2020-2023		160,137	0	320,274		428,496	0	856,992
Total	1,395,380	660,629	500,492	1,620,766	254,830	802,483	373,987	1,781,390
Retirement benefits	155,549	141,601	141,601	141,601	29,928	98,935	98,935	98,935
Total remuneration (German Corporate Governance Code) ³⁾	1,550,929	802,230	642,093	3,100,000	284,758	901,418	472,922	3,100,000

¹⁾ The figures for the fiscal year 2020 and 2019 relating to the multi-year remuneration correspond to the grant values of 100% at the beginning of the financial year.

²⁾ The payout amount for the one-year variable compensation for the 2020 financial year will only be determined at the Supervisory Board meeting on March 24, 2021. The figure one-year variable compensation for 2020 shows the expected payment amounts in the following year.

³⁾ The maximum total remuneration in the "Max" column does not correspond to the sum of the individual components but to the maximum remuneration in accordance with the Executive Board contract.

Total remuneration for the Board of Management in 2020 (amounts received)

The payments made to the Board of Management in fiscal year 2020 totaled €2,164,212 (2019: €3,057,848). Of the amounts received, €1,299,319 was allotted to fixed remuneration (2019: €1,032,736), €74,280 to fringe benefits (2019: €32,338),

€214,496 to one-year variable remuneration (2019: €1,544,875), €168,134 to multi-year variable remuneration (2019: €88,727), and €407,983 to retirement benefits (2019: €359,173).

The following table of Board of Management members who were active in the reporting year shows the effective amounts received in the respective calendar year, broken down into fixed remuneration, fringe benefits, one-year variable remuneration, multi-year remuneration, and retirement benefits.

Cash method (€)	Dr. Torsten Derr Chief Executive Officer (since June 1, 2020)	Thomas Dippold Chief Financial Officer (since October 15, 2020)	Dr. Michael Majerus Spokesman of the Board of Management (till November 30, 2020)		Dr. Stefan Bühler Legal and Compliance (till October 14, 2020)	
	2020	2020	2020	2019	2020	2019
Fixed remuneration	379,167	95,455	458,333	500,000	366,364	99,402
Fringe benefits	23,240	1,258	42,159	17,792	7,623	2,016
Total	402,407	96,713	500,492	517,792	373,987	101,418
One-year variable remuneration ¹⁾	0	0	177,588	727,000	36,908	0
Multi-year variable remuneration	0	0	147,811	5,690	20,323	0
Total	402,407	96,713	825,891	1,250,482	431,218	101,418
Retirement benefits	132,694	34,753	141,601	155,549	98,935	29,928
Total remuneration	535,101	131,466	967,492	1,406,031	530,153	131,346

¹⁾ The amount paid 2020 represents the amount paid in March 2020 for financial year 2019. The amount paid 2019 represents the amount paid in March 2019 for fiscal year 2018.

Additional disclosures on share-based payment instruments in fiscal year 2020

The following table shows the status of the SAR plans being phased out, which were replaced by LTI plans:

SAR	Balance at Dec. 31, 2019		Forfeited	Balance as of Dec. 31, 2020	
	Number	Weighted base price		Number	Weighted base price
Dr. Bühler	15,000	27.84	0	15,000	27.84

The SARs existing as of December 31, 2020 were not exercisable.

The following performance share units (PSUs) were granted in past years from the LTI plan. Based on the results posted by SGL Carbon and the Company's ROCE performance, it is expected that the targets relating to the LTI plans granted for the tranche 2017 to 2020 will be met at the end of the four-year performance period.

The table below depicts the LTI plans that were outstanding at year-end 2020:

LTI	Tranche	Allocation value €	Price € ¹⁾	No. of PSUs	Performance 0% - 150% ²⁾	Fair value € ³⁾
Dr. Derr	LTI 2020-2023	416,111	4.62	90,067	58.9%	200,391
Mr. Dippold	LTI 2020-2023	104,712	4.62	22,665	58.9%	50,428
Dr. Majerus	LTI 2017-2020	545,000	8.49	64,194	26.8%	63,676
	LTI 2018-2021	700,000	11.34	61,728	0.0%	0
	LTI 2019-2022	700,000	7.17	97,629	0.0%	0
	LTI 2020-2023	700,000	4.62	151,515	58.9%	77,254
Dr. Bühler	LTI 2019-2022	116,504	4.62	25,217	58.9%	56,106
	LTI 2020-2023	428,496	4.62	92,748	58.9%	206,356
Total		3,710,823		605,763		654,210

¹⁾ Fair value on grant date before dilution

²⁾ Estimated attainment

³⁾ PSU- Number weighted with the performance and an average share price of €3.78 of the last 20 days in 2020

Remuneration in accordance with DRS 17

The total remuneration paid to Dr. Derr in fiscal year 2020 within the meaning of German Accounting Standard 17 (DRS 17) amounted to €1,268,518 (2019: €0) and consisted of the non-performance related component in the amount of €402,407 (2019: €0), the one-year variable component (agreed to compensate for disadvantages) in the amount of €450,000 (2019: €0), and the multi-year variable component awarded in 2020 in the amount of €416,111 (2019: €0). The total remuneration paid to Dr. Dippold in fiscal year 2020 within the meaning of DRS 17 amounted to €227,259 (2019: €0) and consisted of the non-performance related component in the amount of €96,713 (2019: €0), the one-year variable component (agreed to compensate for disadvantages) in the amount of €25,834 (2019: €0), and the multi-year variable component awarded in 2020 in the amount of €104,712 (2019: €0). The total remuneration paid to Dr. Michael Majerus in fiscal year 2020 within the meaning of DRS 17 amounted to €660,629 (2019: €1,395,380) and consisted of the non-performance related component in the amount of €500,492 (2019: €517,792), the one-year variable component in the amount of €0 (2019: €177,588), and the multi-year variable component granted in 2020 in the amount of €160,137 (2019: €700,000). The total remuneration paid to Dr. Stephan Bühler in fiscal year 2020 within the meaning of DRS 17 amounted to €802,483 (2019: €254,830) and consisted of the non-performance related component in the amount of €373,987 (2019: €101,418), the one-year variable component in the amount of €0 (2019: €36,908), and the multi-year variable

component awarded for 2020 in the amount of €428,496 (2019: €116,504).

The total remuneration accruing to Dr. Derr for fiscal year 2020 amounted to €985,101 (2019: €0) and consisted of the non-performance related component in the amount of €402,407 (2019: €0), the one-year variable component (agreed to compensate for disadvantages) in the amount of €450,000 (2019: €0), and the multi-year variable component of €0 (2019: €0), as well as retirement benefits of €132,694 (2019: €0). The total remuneration accruing to Dr. Dippold for fiscal year 2020 amounted to €157,300 (2019: €0) and consisted of the non-performance related component in the amount of €96,713 (2019: €0), the one-year variable component (agreed to compensate for disadvantages) in the amount of €25,834 (2019: €0), and the multi-year variable component of €0 (2019: €0) as well as retirement benefits of €34,753 (2019: €0). The total remuneration accruing to Dr. Michael Majerus for fiscal year 2020 amounted to €676,426 (2019: €998,740) and consisted of the non-performance related component in the amount of €500,492 (2019: €517,792), the one-year variable component in the amount of €0 (2019: €177,588), and the multi-year variable component of €34,333 (2019: €147,811) as well as retirement benefits of €141,601 (2019: €155,549). The total remuneration accruing to Dr. Stephan Bühler for fiscal year 2020 amounted to €472,922 (2019: €168,254) and consisted of the non-performance related component in the amount of €373,987 (2019: €101,418), the one-year variable component in the amount of €0 (2019: €36,908), and the multi-year variable component of €0 (2019: €0), as well as retirement benefits of €98,935 (2019: €29,928).

Company retirement benefits

Board of Management members receive company retirement benefits in the form of a defined contribution plan. The plan includes retirement benefits upon reaching the statutory retirement age and in the event of invalidity or death. Board members who have reached the age of 62 are entitled to early payout.

SGL Carbon SE pays a contribution into a benefits account for each member of the Board of Management for the duration of their employment and for each past service year. The benefits account is interest-bearing until benefits start being paid out. Any extra interest generated due to the investments in the benefits account having earned interest at a higher rate than the applicable statutory guaranteed interest rate for the life insurance sector is additionally credited to the benefits account

[surplus] when benefits start being paid out. In the event of disability or death prior to the benefits falling due based upon age, the contributions calculated for the age of 60 will be credited to the pension account, with the replenishment being limited to a maximum of ten contribution payments. The payout is made as a one-time payment or, upon request, in ten annual installments.

The new pension system applicable since July 2014 took effect for Dr. Derr, Mr. Dippold and Dr. Majerus. Dr. Bühler remained in the defined contribution plan [ZVplus] for the senior management level. The present values of the defined benefit obligations for each of the two Board members active as of the reporting date (shown in the table below) are secured by a reinsurance policy in the amount of €116,667 for Dr. Derr and in the amount of €29,167 for Mr. Dippold.

Active members of the Board of Management as of Dec. 31, 2020 € thousand	Present value of defined benefit obligation		Service costs	
	2020	2019	2020	2019
Dr. Derr	147	0	133	0
Mr. Dippold	44	0	35	0
Total	191	0	167	0

The total remuneration paid to former members of the Board of Management, executive management, and their surviving dependents amounted to €2.6 million in fiscal year 2020 [2019: €2.6 million]. Pension provisions of €70.9 million [2019: €67.2 million] were recognized at the end of 2020 to

cover pension obligations to former members of executive management and their surviving dependents. Of that amount €29.5 million was covered by reinsurance policies [2019: €28.9 million].

Supervisory Board remuneration

In addition to the reimbursement of out-of-pocket expenses, each member of the Supervisory Board receives fixed remuneration of €50,000 per year, payable after the end of a fiscal year. The Chairman of the Supervisory Board receives two-and-a-half times that amount, and the Deputy Chairman receives one-and-a-half times that amount. Each member of the Personnel Committee and the Nomination Committee receives

€2,000 for each committee meeting attended, and each member of the Audit Committee receives €3,000 for each meeting. The chairmen of the Personnel Committee and the Nomination Committee receive €3,000 per meeting, and the Chairman of the Audit Committee receives €6,000 per meeting. In addition, the Company pays an attendance fee of €400 for each meeting attended by the members of the Supervisory Board.

€ thousand	Board member since	Age as of the date of the release of the 2020 Annual Report	Period of service [appointed up to]	Basic remuneration	Additional remuneration	Remuneration
						Total
Susanne Klatten (Chairwoman) ¹⁾	2009	58	2025	125.0	34.0	159.0
Georg Denoke (Deputy Chairman) ²⁾	2015	56	2025	75.0	22.0	97.0
Helmut Jodl (Deputy Chairman)	2008	59	2023	75.0	24.0	99.0
Ana Cristina Ferreira Cruz	2013	57	2023	50.0	4.0	54.0
Edwin Eichler	2010	62	2025	50.0	4.0	54.0
Ingeborg Neumann	2018	63	2023	50.0	33.0	83.0
Markus Stettberger	2013	49	2023	50.0	13.0	63.0
Dieter Züllighofen	2016	54	2023	50.0	13.0	63.0
Total				525.0	147.0	672.0

¹⁾ Chairwoman of the Personnel and Nomination Committee

²⁾ Chairman of the Audit Committee

Disclosures pursuant to Sections 289a and 315a of the HGB

The disclosures required under Sections 289a and 315a of the HGB are outlined in the following:

Composition of subscribed capital

As of December 31, 2020, the issued capital of the Company was €313,194,183.68, divided into 122,341,478 no-par-value bearer shares, each with a notional value of €2.56 [see [Note 21](#) of the notes to the consolidated financial statements].

Restrictions on voting rights and the transfer of shares

The members of the Company's Board of Management are obligated to permanently hold a fixed quantity of shares in SGL Carbon SE during their tenure on the Board, with the Chairman of the Board of Management holding an amount equal in value to one year's fixed salary and the other Board of Management members holding an amount equal in value to 85% of their fixed annual salaries. Otherwise, no restrictions exist with respect to voting rights or the transfer of shares. This does not affect mandatory statutory provisions, however, particularly those set forth in Section 71b of the German Stock Corporation Act (AktG), which prohibits voting rights with respect to the Company's own shares, or the voting rights prohibition in cases of conflicts of interest within the meaning of Section 136 (1) of the AktG.

Direct or indirect interests in the Company's capital

The Company has been informed of the following direct or indirect holdings of shares in its capital exceeding 10% of voting rights: (i) SKion GmbH, Bad Homburg, with a holding of approximately 28.55% at year-end 2020, by way of voting rights notifications and information on proprietary trading and (ii) Bayerische Motoren Werke Aktiengesellschaft (BMW AG), Munich, which last reported a holding of approximately 18.26% in the context of the 2016 capital increase. The holding of SKion GmbH can be attributed to Susanne Klatten, Germany, who thus indirectly held approximately 28.55% of the voting rights in SGL Carbon SE at year-end 2020.

Holders of shares conferring special rights

The Company has not issued any shares with special rights conferring controlling authority over the Company.

Type of voting rights control in the case of employee shareholders

There are no voting rights control provisions for employees having an interest in the Company's issued capital.

Statutory regulations and provisions in the Articles of Incorporation concerning the appointment and removal of members of the Board of Management and amendments to the Articles of Incorporation

The statutory provisions of Article 39 of the SE Regulation, Section 16 of the Act implementing the SE Regulation, and Sections 84 and 85 of the AktG as well as Section 6 of the Company's Articles of Incorporation apply to the appointment and removal of members of the Board of Management. Those provisions stipulate that members of the Board of Management be appointed and removed by the Supervisory Board. Board of Management members are appointed for a maximum term of five years, with reappointment permitted. The Supervisory Board may remove a Board of Management member if good cause exists. Good cause includes, but is not limited to, gross negligence of Board of Management duties or a vote of no confidence at the Annual General Meeting. The Supervisory Board decides on appointments and removals at its own due discretion.

Any amendments to the Articles of Incorporation are decided by way of a resolution adopted by the Annual General Meeting. Under Section 17(4) of the Articles of Incorporation, such resolutions require a simple majority of the votes cast, provided at least half of the issued capital is represented; the foregoing does not apply if a higher majority, including a higher capital majority, is prescribed by law.

Authority of the Board of Management to issue and buy back shares

Subject to the consent of the Supervisory Board, the Board of Management is authorized to issue new shares from author-

ized or conditional capital (see Section 3 of the Articles of Incorporation as well as [Note 21](#) of the notes to the consolidated financial statements).

Significant agreements subject to the condition of a change in control following a takeover bid

As of December 31, 2020, the Company had issued one convertible bond maturing in 2023. The convertible bond entitles the bondholders to repayment of their outstanding notes at the principal amount in the event of a change in control (plus any interest accrued up to that date), provided the bondholders declare such intention on or before a reference date to be determined by the Company; such reference date may not be fewer than 40 or more than 60 calendar days after the change in control. The outstanding notes may also be converted into shares up to the reference date, resulting in a better conversion ratio for bondholders based on the staggered conversion price with respect to the residual terms to maturity of the convertible bond in question. For the purposes of the convertible bond maturing in 2023, a change in control exists if one or more individuals acquires control over the Company, with control being direct or indirect ownership of more than 30% of the voting shares. In the case of the 2023 convertible bond, the improved conversion ratio already applies in the event of a public takeover offer, provided the acceptance rate of the takeover offer at the end of the acceptance period exceeds the control threshold of 30% of the

voting shares, any additional minimum acceptance threshold has been reached as of such date, and no other offer conditions remain outstanding (except for conditions that may also be fulfilled after the end of the acceptance period if legally permitted).

The corporate bond issued in 2019 for €250 million, maturing in 2024, entitles investors to early repayment of their bonds in return for payment of 101% of the principal amount (including any tax withholdings from such early repayment amount) as well as to the interest accrued up to the date of repayment if (a) a person (with the exception of Ms. Klatten, BMW AG and any persons attributable to BMW AG) directly or indirectly holds more than 35% of the voting shares of SGL Carbon SE, (b) all or most of the assets of SGL Carbon SE and its Group companies are transferred to one person (with the exception of Ms. Klatten, BMW AG and any persons attributable to BMW AG), or (c) the shares of SGL Carbon SE are no longer listed on the Frankfurt Stock Exchange or another European regulated market.

Compensation agreements with the Board of Management and employees in the event of a takeover bid

No compensation agreements exist with the Board of Management or employees in the event of a takeover bid.

Corporate Governance Declaration, Corporate Governance and Compliance Report (unaudited)

Declaration of Compliance with the German Corporate Governance Code

According to Article 9 (1) (c)(iii) of the SE Regulation (SE-V0) in conjunction with Section 161 of the Stock Corporation Act (AktG), the Board of Management and the Supervisory Board of a publicly listed European joint stock company (Societas Europaea) with registered offices in Germany are required to declare at least once per year their compliance with the German Corporate Governance Code. They must also provide reasons if a recommendation of the Code was not or will not be applied. The Board of Management and Supervisory Board of SGL Carbon SE have regularly issued and published declarations of compliance since 2002. Each declaration of compliance is made publicly accessible for a period of five years on the Company's website (www.sglcarbon.com under "Company/Corporate Governance"). The most recent declaration of compliance was issued and published in November 2020:

"The Board of Management and Supervisory Board of SGL Carbon SE declare:

1. The Company's last declaration of compliance was issued on November 27, 2019. Since this date, SGL Carbon SE has fully complied with the recommendations of the "Government Commission on the German Corporate Governance Code" ["Regierungskommission Deutscher Corporate Governance Kodex"] in the version dated February 7, 2017 (publication as of April 24, 2017, amendment of this publication of May 19, 2017) as published by the German Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette, until the publication of the subsequent version of the German Corporate Governance Code of December 16, 2019.
2. On December 16, 2019 (published in the official section of the Federal Gazette on March 20, 2020), the "Government Commission of the German Corporate Governance Code" introduced a new version of the German Corporate Governance Code. SGL Carbon SE has complied with the recommendations of this new version of the Code since its publication on March 20, 2020, and will also comply with it in future, with the exception of the following deviations:
 - With respect to Recommendation B.3 of the Code, which states that the initial appointment of Board of Management members should be for no longer than three years. As part of its personnel restructuring in 2020, the Company

appointed two new Board of Management members, each with a five-year period of office. This decision was made in the interest of maintaining a stable leadership structure with personnel continuity for the business tasks at hand and is also considered proper by the Supervisory Board in light of the candidates' qualifications.

- With respect to Recommendation C.10 of the Code, which states that the chairperson of the Supervisory Board and the chairperson of the committee that addresses remuneration matters should be independent of the Company and the Board of Management. Both positions are held by Ms. Klatten, who is indirectly a material shareholder of the Company. In the Company's opinion, the current composition of the Supervisory Board and the Personnel Committee is appropriate. Ms. Klatten is considered particularly well-suited for both positions; moreover, the Company feels that the additional Supervisory Board members on the shareholder side, the majority of whom are independent, ensure a sufficient balance within the body.
- With respect to Recommendation D.8 of the Code, which states that the Report of the Supervisory Board should specify the number of Supervisory Board and committee meetings in which the individual members have participated. In recent years, as presented in each Report of the Supervisory Board, participation rates in each of the meetings of the Supervisory Board and its committees were more than 90%. So long as the participation rate does not significantly decline in future, the Company therefore considers a consolidated presentation of participation rates to be sufficient.

The SGL Carbon SE Corporate Governance Principles furthermore satisfy the majority of the non-obligatory suggestions of the German Corporate Governance Code.

Wiesbaden, November 26, 2020

For the Supervisory Board: Susanne Klatten (Chairwoman of the Supervisory Board of SGL Carbon SE)

For the Board of Management: Dr. Torsten Derr (CEO of SGL Carbon SE)"

Composition and Procedures of the Board of Management

The corporate governance of SGL Carbon SE as a publicly listed European company (SE) with registered offices in Germany is essentially determined by Regulation (EC) No. 2157/2001 of the Council of October 8, 2001 on the Statute for a European company (SE-VO), the German SE Implementation Act, the agreement concerning worker/employee participation in SGL Carbon SE, and the German Stock Corporation Act (AktG), as well as the suggestions and recommendations of the German Corporate Governance Code and the Articles of Incorporation of SGL Carbon SE.

Pursuant to Article 38 SE-VO in conjunction with Section 5 of the Articles of Incorporation of SGL Carbon SE, SGL Carbon SE is governed by the dualistic system. This is characterized by a separation of personnel between the executive body (Board of Management) as company management and executive body, and the supervisory body (Supervisory Board) as the monitoring body. The Board of Management and Supervisory Board of SGL Carbon SE work closely together for the benefit of the Company. Their common objective is the sustained growth of the Company's enterprise value.

Pursuant to the Articles of Incorporation, the Board of Management of SGL Carbon SE consists of several members, the number of which is determined by the Supervisory Board. As of December 31, 2020, the Board of Management consisted of two members, and thus no Board of Management committees were formed.

SGL Carbon SE and the SGL Carbon Group are managed by the Board of Management on its own responsibility in the Company's interest. The principle of collective responsibility applies, i.e. the Board of Management members share responsibility for company management, although each Board of Management member is given authority for specific portfolios. For more detailed information on the individual Board of Management members and their portfolios, please refer to the Company's website (www.sglcarbon.com, under "Company/About us/Board of Management"). Nevertheless, certain matters defined by the entire Board of Management are handled by the entire Board of Management and require its consent. The CEO coordinates the work of the Board of Management members.

The Board of Management develops the corporate and group strategy and ensures its implementation in consultation with

the Supervisory Board. The Board of Management's responsibilities also include the management and monitoring of operational activity, as well as the setup and monitoring of an appropriate and efficient control and risk management system. The Board of Management ensures compliance with legislation, official regulations, and internal guidelines, and ensures that they are also observed by group companies. The Board of Management prepares the Company's interim financial reports, the annual financial statements of SGL Carbon SE, the consolidated financial statements, the management reports of SGL Carbon SE and SGL Group, and the separate consolidated non-financial report for SGL Carbon Group.

The Board of Management informs the Supervisory Board on a regular basis, in a timely manner, and comprehensively concerning all issues relevant to the Company and the Group, particularly those relating to strategy, planning, business development, the risk situation, risk management, and compliance. In this context, the Board of Management addresses situations in which the course of business deviates from the prepared plans and objectives. The Board of Management promptly informs the chairperson of the Supervisory Board regarding important events of material importance to the Company, and the chairperson of the Supervisory Board subsequently instructs the Supervisory Board and convenes a meeting of the Supervisory Board if needed.

Composition and Procedure of the Supervisory Board and its Committees

Supervisory Board

Pursuant to Section 8 [1] of the Articles of Incorporation, the Supervisory Board of SGL Carbon SE consists of eight members, half of whom represent the shareholders and half of whom represent the employees. The shareholder representatives are appointed by the Annual General Meeting of SGL Carbon SE and the employee representatives are appointed by the SE Works Council in accordance with the Company's agreement with its employees concerning co-determination within the Company. The Supervisory Board elects from among its members a chairperson of the Supervisory Board, as well as one deputy chairperson each from among the shareholder representatives and the employee representatives. If resolutions are to be adopted with a simple majority, the chairperson of the Supervisory Board casts the deciding vote in the event of a tie, and if the chairperson is not participating in the adoption of the resolution, the deputy chairperson appointed to the Supervisory

Board as a shareholder representative casts the deciding vote. In addition, the chairperson of the Supervisory Board coordinates the work within the Supervisory Board and represents the interests of the Supervisory Board externally.

The Supervisory Board advises and supervises the Board of Management in the management of the Company. It appoints and dismisses members of the Company's Board of Management, decides on the remuneration system for Board of Management members, and sets their individual remuneration. The remuneration system for the Board of Management and its approval by the Annual General Meeting can be viewed on the Company's website (www.sglcarbon.com, under "Company/Corporate Governance"). The Supervisory Board receives reports from the Board of Management at regular intervals concerning the Company's strategy, corporate planning, sales growth, profitability, business development, and position, as well as the internal controlling system, the risk management system, and the compliance management system. It is directly involved in decisions of fundamental importance for SGL Carbon SE and the Group; these include entries into new areas of business, exits from existing areas, or the issuance of bonds. Section 11 of the Articles of Incorporation of SGL Carbon SE contains a schedule of transactions for which the Board of Management requires the Supervisory Board's consent (the Articles of Incorporation of SGL Carbon SE can be viewed on the Company's website (www.sglcarbon.com, under "Company/Corporate Governance")). Under certain circumstances, related-party transactions also require by law the prior consent of the Supervisory Board or the Audit Committee. Finally, the Supervisory Board is responsible for auditing the annual financial statements and management report of SGL Carbon SE, the consolidated financial statements and management report, and the recommendation for appropriation of profits. The Supervisory Board's activity in fiscal year 2020 is explained in the "Report of the Supervisory Board" (see page 6).

The Supervisory Board has adopted rules of procedure that notably include, in addition to the Supervisory Board's functions and responsibilities, the convening and preparation of its meetings as well as the adoption of resolutions. The rules of procedure are available on the Company's website (www.sglcarbon.com, under "Company/Corporate Governance").

Objectives of the Supervisory Board with respect to its composition

In accordance with the requirements of the German Corporate Governance Code, the Supervisory Board has defined objec-

tives for its composition and has prepared a competence profile for the entire board. According to its objectives, the Supervisory Board is to be composed of members who, as a group, possess the required knowledge, skills, and professional experience to duly perform the Supervisory Board's responsibilities. The age limit for Supervisory Board members is 72 years. As a rule, members of the Supervisory Board should not be proposed as candidates for the Supervisory Board after the end of their third period of office. This does not apply to periods of office resulting from a court appointment to the Supervisory Board. If a Supervisory Board member holds a material equity interest in the Company as defined by the German Corporate Governance Code, controls any such material shareholder of the Company, or acts as a representative for a material shareholder, there is a fundamental exception to the foregoing rule and thus no time restriction on this member's candidacy. Each Supervisory Board member shall also ensure that he or she has sufficient time to fulfill his or her mandate.

All Supervisory Board members must be in a position to duly perform the duties of their office. To ensure that all responsibilities associated with the Company's financial accounting are duly performed, at least one member of the Supervisory Board should be an independent financial expert with specialized knowledge and experience in the fields of financial accounting and/or financial auditing. In addition, at least one member of the Supervisory Board should have relevant professional experience and industrial expertise in SGL Carbon Group's fields of business and its key customer industries. Furthermore, at least one member should have in-depth professional experience in each of the areas of corporate management and strategy, compliance and risk management, innovation expertise (including digitization), leadership development, and human resources. The number of members with experience in technical fields (particularly chemistry and engineering) and the number of members with commercial backgrounds should be well-balanced overall. The composition of the Supervisory Board should also reflect the Company's international activities; at least one member of the Supervisory Board should have specific international knowledge and experience as a result of his or her origins, education, or professional activities.

Furthermore, the Supervisory Board should always have a sufficient number of independent members. Consequently, at least half of the Supervisory Board members on the shareholder side should be independent; this is currently the case, since the Supervisory Board considers Ms. Neumann and Messrs. Denoke and Eichler to be independent representatives, and therefore more than half of the shareholder representatives are independent.

With respect to a reasonable level of female participation in the Company's Supervisory Board, the "Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst" (Act on equal opportunities for women and men for executive positions in the private and public sectors) of April 24, 2015, which applies for SGL Carbon SE, also requires the Company's Supervisory Board to have at least 30% female and 30% male members.

The Supervisory Board's aforementioned objectives for its composition and the competence profile for the entire board as set out above are taken into account in proposals for the appointment of new members to the Supervisory Board, and efforts are taken to ensure that the competence profile is maintained. The current composition of this body meets all requirements for relevant expertise and the aspects of diversity and independence based upon the objectives and the competence profile of the Supervisory Board.

For more detailed information on the individual members of the Supervisory Board, please refer to the Company's website (www.sglcarbon.com, under "Company/About us/Supervisory Board").

Rules for possible conflicts of interest

Members of the Supervisory Board must disclose any conflicts of interest to the chairperson of the Supervisory Board. This includes both concrete conflicts of interest and sufficiently probable potential conflicts of interest. Any significant conflicts of interest of a Supervisory Board member that are not merely temporary in nature shall lead to that member's resignation from the Board. Related-party transactions are reviewed and approved by the Supervisory Board or the Audit Committee in accordance with statutory requirements. In addition, the Audit Committee examines whether there are indications of impermissible influence in the event of transactions between SGL Carbon group companies and Supervisory Board members, related parties, and shareholders with a shareholding of more than 5% of voting rights in SGL Carbon SE. No conflicts of interest requiring immediate disclosure to the Supervisory Board were reported by members of the Supervisory Board or Board of Management during the period under review. There were also no contracts for advisory or other services between Supervisory Board members and the Company during the period under review. Relationships with related parties are presented in the notes to the consolidated financial statements [Note 26](#).

Committees of the Supervisory Board

The Supervisory Board has a total of three permanent committees, which work in accordance with the requirements of the German Corporate Governance Code, the Stock Corporation Act, the Articles of Incorporation of the Company, and the Supervisory Board's rules of procedure. These committees are as follows:

Personnel Committee

The Personnel Committee, chaired by Ms. Klatten, advises the Supervisory Board principally on matters relating to the legal relationship between the Company and its current and former Board of Management members. It reviews the remuneration of the Board of Management members and submits proposals to the plenary sessions of the Supervisory Board for a final decision. The committee also helps to prepare for personnel decisions by the Supervisory Board by submitting proposals for the appointment of new members and the dismissal of members of the Board of Management. The other members of this committee are Ms. Neumann and Mr. Jodl.

Nomination Committee

The function of the Nomination Committee is to draw up a list of proposed candidates for election to the Supervisory Board as shareholder representatives at the Annual General Meeting. All shareholder representatives on the Supervisory Board (i.e. Ms. Neumann and Messrs. Denoke and Eichler, in addition to Ms. Klatten) are members of this committee, which is chaired by Ms. Klatten.

Audit Committee

The Audit Committee consists of four members. The Audit Committee is chaired by Mr. Denoke. The other members are Ms. Neumann and Messrs. Stettberger and Züllighofen. The committee's responsibilities include auditing accounts and monitoring the Company's financial accounting process, risk management, compliance, and therefore also its internal control and auditing system. It is also in charge of reviewing the Group's related-party transactions. In particular, it is responsible for the preliminary audit of the annual financial statements of SGL Carbon SE and the SGL Carbon Group, the management report and group management report (including the separate non-financial Group report), and the recommendation for appropriation of profits.

The committee also handles the relationship between the Company and its auditors. In this context, its main responsibility is to prepare the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor. In doing so, it must ensure that the auditor is both qualified and independent. The committee also defines key audit issues, agrees on audit fees, performs the preparatory work related to appointing the auditor, and reviews in advance the commissioning of non-audit services by the auditor.

In addition to these three permanent committees, the Supervisory Board can also form temporary, project-related committees as required.

Efficiency test of Supervisory Board

At regular intervals, the Supervisory Board assesses the effectiveness and efficiency of its work and that of its committees. The Supervisory Board performed this self-assessment most recently at the end of 2019. In an extensive questionnaire, the members of the Supervisory Board provided their assessment of current practices relating to various topics, such as collaboration within the Supervisory Board and the Board of Management, as well as work in the committees, and also made recommendations for improvement. The results were analyzed by a notary, prepared in an anonymized format, and subsequently discussed within the Supervisory Board. In their overall conclusion, the members of the Supervisory Board rated collaboration within the Supervisory Board as positive. The next regular efficiency test is scheduled for next year.

Corporate Governance Practices

SGL Carbon Code of Conduct

The SGL Carbon Code of Conduct emphasizes the obligation of SGL Carbon and its employees to engage in responsible, legal actions and reflects the common values of the Group, its corporate culture, and its goals for business conduct. One significant factor in the sustained success of SGL Carbon is its responsible and appropriate treatment of all persons with whom the Company has business relationships – employees, customers, shareholders, government authorities, and the general public. The purpose of the Code of Conduct is to make a significant contribution to building and maintaining trust among all interest groups. It emphasizes the obligation of the Company and its employees to comply with applicable laws and provides employees with guidelines for responsible conduct. The fore-

word was updated in the past fiscal year to include the Compliance statement from the new Board of Management. The SGL Carbon Code of Conduct is available on the Company's website (www.sglcarbon.com, under "Company/Compliance/Code of Conduct").

SGL Carbon Corporate Governance Principles

The SGL Carbon Corporate Governance Principles summarize the relevant statutory regulations, the Company's Articles of Incorporation, and supplemental practices of SGL Carbon SE and the Group that have evolved over the years. Their purpose is to ensure responsible and transparent corporate management and control, and to sustain and promote the trust of stakeholders, business partners, and employees, as well as the general public. The Principles are reviewed at least once per year and are adapted to changes in laws, recommendations, and market practices. In addition to the rules of procedure for the Board of Management and Supervisory Board and the organizational principles of SGL Carbon Group, the SGL Carbon Corporate Governance Principles also cover the essential corporate guidelines for group-wide corporate governance and compliance.

One fundamental aspect of this is the aforementioned SGL Carbon Code of Conduct, which emphasizes the obligation of the Group and its employees to comply with laws and internal guidelines, and sets standards for legal and ethical conduct. Based not least upon the Code of Conduct, the Company has also developed detailed corporate guidelines, which apply equally for SGL Carbon SE and for the Group, and are likewise part of the SGL Carbon Corporate Governance Principles, such as:

- Guideline for compliance with antitrust regulations
- Guideline for compliance with regulations under capital markets law
- Whistleblower guideline for reporting particularly serious compliance incidents
- Principles for giving and accepting gifts and other gratuities in dealings with business partners and government officials
- Guideline for protecting information and the Company's underlying infrastructure
- Guideline for establishing procedural structures to identify and monitor core risks of the Company, its business units, and functions.

Compliance as part of the management and corporate culture

Compliance is a fundamental responsibility of the Board of Management at SGL Carbon. The Board of Management does not tolerate any violation of the Code of Conduct and promotes a corporate culture in which issues relating to integrity can be openly discussed with superiors, the compliance representatives, and the Group Compliance department. All employees are personally responsible for ensuring that their actions and conduct are in line with the SGL Carbon Code of Conduct and the regulations of their respective work areas. Compliance must be ever-present in the minds of our executives and employees, and they must embody this in their day-to-day transactions. In this way, compliance will sustainably support the success of our Company.

SGL Carbon introduced and implemented its compliance program many years ago. The Board of Management has tasked the Group Compliance department with the worldwide management of this program. Its task is to manage the necessary comprehensive organizational, communications, and control structures for SGL Carbon at all sites, to review them regularly, and to adjust them as needed. The objective is to ensure that compliance exceeds mere adherence to legal and formal requirements and structures, and becomes an integral part of value-oriented corporate management within the organization. The SGL Carbon SE Compliance Management System was externally certified in the past fiscal year in accordance with ISO 19600:2016 requirements [see separate non-financial Group statement/CSR Report on page 12].

The management and executives of SGL Carbon serve as important role models for this based upon their responsibilities for employees and their leadership roles. The topic of compliance is therefore regularly a fixed agenda item in the annual Group Communication Forum (GCF), where our top-level management are repeatedly sensitized and trained on the topic of compliance.

In addition to the compliance representatives in the business units and corporate functions [see separate non-financial Group statement/CSR Report, page 12], the SGL Carbon compliance organization includes a network of regional and local compliance representatives. All members of the network receive appropriate introductory training when assuming their roles. The significant elements of our compliance program, as well as the role and responsibility of the compliance network, are also described in the Compliance Manual, which is avail-

able as a linked document in the Guidelines directory on SharePoint. All relevant documents are also available to the members on a dedicated SharePoint page. The compliance representatives of the business units as well as the corporate functions are part of the Compliance Committee, which meets twice per year. In the Compliance Committee strategic compliance topics as well as changes to the existing compliance program are discussed and adopted. To ensure knowledge transfer between the compliance network and Group Compliance, teleconferences are held on average two to three times per year and in-person events are held every two years in the form of regional compliance conferences in Europe, Asia, and North America. The teleconferences are intended to ensure an ongoing exchange of information about the compliance program and discussion of current topics. The compliance conferences are specifically intended for further refinement of the compliance program, while considering site-specific needs and the training of local compliance representatives. The compliance conferences were postponed to 2021 due to the pandemic and will be held next year on a virtual platform.

The local compliance representatives are the point of contact for employees at the respective sites for all matters pertaining to compliance, and they also support the Group Compliance department when implementing the compliance program at the various sites.

Our primary objective for compliance is that all of our employees should know and respect the requisite regulations in order to reduce the risk of breaking the law and thus avoid possible harm to SGL Carbon. Our compliance policies are therefore a permanent part of our hiring documents and are issued to all new employees. Twice-yearly reporting by the Local Compliance Representatives [LCRs] to Group Compliance confirms that this process is operating correctly. A confirmation of receipt, providing written documentation that the employee is aware of the regulations in the Code of Conduct, is also placed in the employee's file. This process is also part of an internal check as part of our ICS [Internal Control System]. The Code of Conduct, the guideline for gifts and entertainment, the guideline on antitrust law, and the whistleblower guideline are available in a total of nine local languages. Employees can download the guidelines from our SharePoint site and from the intranet. Significant information and modules of the SGL Compliance Program are also available to employees on the intranet and can be accessed with a few clicks.

Our employees also participate in mandatory compliance training sessions, which are conducted in face-to-face and eLearning formats [see separate non-financial Group statement/CSR

Report, page 12]. The initial training session is generally done online. The local HR departments register new employees through an SAP Onboarding training catalog for this purpose.

SGL Carbon introduced its comprehensive worldwide antitrust law compliance program in 2001. One key element is regular mandatory training, which is offered in the form of face-to-face and eLearning sessions. These mandatory training sessions are aimed at all managers in the top three levels of management within the Group, all purchasing, sales, and marketing employees, Human Resources employees, and employees of the Legal and Compliance departments, as well as members of the compliance network. A total of 305 employees participated in training on antitrust law in 2020. As part of an update to the policy, the target group was expanded to employees from the Human Resources, Legal, and Compliance departments, as well as all members of the compliance network. All new employees in this target group are given the SGL Carbon antitrust compliance guidelines with their hiring documents or when changing positions, and must sign these. They then participate in the mandatory online training. All employees in this target group participate in regular refresher courses, which are held in both face-to-face and online formats. This process is also part of an internal check as part of our ICS (Internal Control System).

Another key component of the compliance program is our preventative anti-corruption measures [see non-financial Group statement/CSR Report "Anti-corruption and bribery," page 15].

SGL Carbon introduced a Supplier Code of Conduct in 2015. Under this code, all SGL suppliers and their subcontractors must also commit to legal, ethical, and sustainable conduct [see non-financial Group statement/CSR Report "Responsibility for supply chain," page 16]. The guideline on conflict minerals was revised in the past fiscal year.

SGL Carbon aims to create an environment in which all compliance matters can be discussed in an open manner. All employees are encouraged to discuss any integrity-related issues and questions with their superiors, the Compliance department, or a member of the compliance network. In addition to existing communication and reporting channels, SGL Carbon also has a whistleblower system in the form of the Compliance Helpdesk. This allows employees to confidentially report potential compliance violations in accordance with the whistleblower guideline. The whistleblower guideline also governs the mandatory protection of the reporting party. The email address can also be reached by third parties via SGL Carbon's website.

The Group Compliance department reviews reported compliance-related incidents as part of the internal compliance review. This department is tasked with ensuring that non-compliant actions and violations are detected and prevented in a timely manner, that our Company's activities comply with the applicable laws and statutory provisions, and that potential improvements to our internal business activities are identified.

During the period under review, SGL Carbon recorded all notices relating to potential violations of anti-trust law, anti-corruption, export controls and customs, protection of trade secrets, and anti-fraud that could result in financial damage or harm to the Group's reputation. These were all handled without exception so that specific measures could be identified and carried out as needed. SGL Carbon is convinced that the aforementioned components of the compliance management system and our monitoring processes are optimally suited to ensure conduct that conforms with the law in all areas of the SGL Carbon Group now and in the future.

Other compliance measures relate to capital market laws and compliance with the respective Group policy, which regulates issues including trading in SGL Carbon SE securities by members of the Board of Management and the Supervisory Board and the Company's employees. The Group policy also governs the proper handling of potential insider information. An Ad-hoc Committee has been in place for years. This committee consists of representatives of a number of corporate functions, who examine potential ad-hoc issues and ensure that potential insider information is handled in accordance with legal provisions.

The existing compliance program for export controls and customs ensures that the exchange of goods and technology and the use of services comply with the respective internal and external requirements [see non-financial Group statement/CSR Report "Responsibility for the supply chain," page 16].

In 2020, the Group Internal Audit department, as part of its regular audits, reviewed the implementation of anti-corruption and anti-fraud management at individual subsidiaries. The focus was on obtaining assurance that the local companies were upholding the defined compliance regulations and identifying individual violations of the regulations. If the audits reveal the need to optimize workflows or strengthen control measures, corrective action is undertaken.

Regular risk assessments are part of an effective compliance management system. In past years, both a top-down risk assessment and a bottom-up approach were implemented for

the areas defined as core compliance risks, namely antitrust law, anti-corruption, export control and customs, the protection of trade secrets, and anti-fraud. This regular compliance risk assessment is performed either in the context of the annually submitted BU compliance questionnaire or through interviews. Appropriate interviews with the management of the business units as well as the sites were postponed until 2021 due to the pandemic and the restructuring measures.

In its March meeting, the Audit Committee of the Supervisory Board thoroughly addressed the Compliance annual report for 2019 and will address the Compliance annual report for 2020 in March 2021.

Systematic Risk Management

To ensure the responsible handling of risks as part of good corporate governance practice, the SGL Carbon Group developed a risk management system (RMS) at an early stage. The system ensures that the Company's risk management and control procedures are adequate and effective. It is designed to identify any business or financial risks as early as possible so that appropriate countermeasures can be taken. The system is continually refined and adapted to reflect changing circumstances. This year special focus was placed on more stringent representation of the compliance risks in the RMS. The Board of Management reports at regular intervals to the Supervisory Board and in particular to the Audit Committee concerning existing risks and risk trends. Further information on the RMS can be found in the report on opportunities and risks on pages 69-76.

Statements concerning the “Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen” (Act on equal opportunities for women and men for executive positions) and Statements concerning Minimum Percentages on the Supervisory Board

In accordance with the Act on equal opportunities for women and men for executive positions in the private and public sectors of April 2015, the Company has established targets for the percentage of women on the Board of Management and in the other management levels, and the implementation period for these targets. The Supervisory Board established a target of 0% for the percentage of women on the Board of Management of

SGL Carbon SE by December 31, 2019 [percentage of women when the resolution was adopted: 0%] The Board of Management for its part adopted a target of at least 20% for the percentage of women in the management level of SGL Carbon SE below the Board of Management to be achieved by December 31, 2019 [percentage of women when the resolution was adopted: 20%] The Company was unable to set a percentage of women for a second management level below the Board of Management, since the flat hierarchical structure of SGL Carbon SE as a pure group parent company has only one relevant leadership level [with relevant human resources and leadership expertise] below the Board of Management. These two targets were achieved: on December 31, 2019, the percentage of women was 0% on the Board of Management of SGL Carbon SE and 20.83% in the management level below the Board of Management.

At the conclusion of the period ending on December 31, 2019, the Board of Management and Supervisory Board adopted targets for the following period. The Supervisory Board once again set a target of 0% to be achieved by December 31, 2022 for the percentage of women on the Board of Management of SGL Carbon SE [percentage of women when the resolution was adopted: 0%]. The Board of Management adopted as its target at least 20.83% for the percentage of women in the management level of SGL Carbon SE below the Board of Management to be achieved by December 31, 2022 [percentage of women when the resolution was adopted: 20.83%] The Company was unable to set a percentage of women for a second management level below the Board of Management, since the flat hierarchical structure of SGL Carbon SE as a pure group parent company has only one relevant leadership level [with relevant human resources and leadership expertise] below the Board of Management.

Moreover, the Act on equal opportunities for women and men for executive positions also requires that the Supervisory Board of SGL Carbon SE must consist of at least 30% women and at least 30% men. The Company met these requirements in the composition of its Supervisory Board, which includes three female members and five male members on the reporting date.

Diversity Concepts for Company Management

According to the Company's Corporate Governance Principles, diversity must be taken into account in the composition of the Board of Management. This refers firstly to diversity in terms of

subject matter, which manifests in the Company's existing structure in that at least one of the Board of Management members in each case possesses comprehensive experience in the Company's operations, in strategic company management, and in financial, controlling, and reporting processes. Another determining factor is that the international presence of SGL Carbon must also be taken into account through comprehensive professional experience in or with other countries. With respect to gender diversity, no extensive quota was considered proper given the size of the Company's Board of Management, which usually consists of only two members, and therefore no such quota was set (see above "Decisions in accordance with the Act on equal opportunities for women and men for executive positions and statements concerning minimum percentages on the Supervisory Board"). With respect to the age structure, it is specified that the age limit for members of the Board of Management is 65 years [age limit]. The Supervisory Board will use these requirements as the basis for new appointments in the Company's interest, in order to recruit the best candidates for vacant positions in each case. The current composition of the Board of Management fulfills the Company's objectives in this regard.

The Company is striving to develop suitable candidates from within the Company for vacancies on the Board of Management. This does not rule out the possibility that the Supervisory Board's selection process will include external candidates, either exclusively or in addition to internal candidates, depending upon the specific situation. The Company uses a systematic management development approach with the following main elements to identify and develop employees with appropriate leadership potential for duties in top management: (i) early identification of suitable candidates with differing specialties, nationalities, and sexes, (ii) systematic development of top-tier management by assigning tasks with increased responsibility, if possible in different areas of business and functions, (iii) regular and systematic review of individual qualification requirements for the contemplated target levels [relevant areas of expertise, professional experience, and leadership role within the corporate culture]. Using the competence profile prepared by the Supervisory Board, the Company will identify candidates who can be included in a selection to be made by the Supervisory Board. This should enable the Supervisory Board to provide sufficient variety in terms of professional education and experience, cultural background, and diversity when making appointments to the Board of Management. Regardless of these criteria, the Company is convinced that in the final analysis, only a holistic assessment of each individual can be the decisive factor for appointment to the Board of Management. The Company will consistently utilize the services of

qualified human resources consulting companies to ensure an appropriate selection of external candidates based upon the required areas of expertise for a Board of Management position.

With respect to its own composition, the Supervisory Board of the Company defined a competence profile and established detailed objectives for itself in order to reflect different outlooks and experiential backgrounds within the board. The details of this diversity concept are described above in this report under "Composition and Procedure of the Supervisory Board and its Committees/Objectives of the Supervisory Board with respect to its composition." These objectives are taken into account in proposals for the appointment of new Supervisory Board members. The current composition of the Supervisory Board meets the aforementioned objectives for appropriate composition.

Other Statements

Shareholders and Annual General Meeting

The shareholders of SGL Carbon SE exercise their rights during the Company's Annual General Meeting. In particular, the Annual General Meeting elects the shareholder representatives for the Supervisory Board and adopts resolutions concerning the ratification of acts by the Board of Management and the Supervisory Board, as well as the selection of an auditor. It decides on the appropriation of profits, capital measures, and consent to affiliation agreements, and also the remuneration of the Supervisory Board and amendments to the Company's Articles of Incorporation. The Annual General Meeting is held once per year. Each share entitles the bearer to one vote. The shareholders can either exercise their voting rights at the Annual General Meeting themselves or have them exercised by a proxy of their choice or by one of the Company's proxies, who is bound to follow their instructions. Instructions can be issued to the Company's proxies both before and during the Annual General Meeting until the end of general debate. Shareholders can also submit their votes in writing by mail without issuing a power of attorney to a representative.

Active and transparent shareholder communication for the shareholders of SGL Carbon SE

One of the primary objectives for the Board of Management is to report comprehensively to all target groups, particularly our shareholders, and to communicate the same information at the same time. Regularly recurring events (such as the Annual General Meeting and conferences – including conference calls – with analysts and investors) and reports or notices (such as

the annual report, interim reports, presentations at the Annual General Meeting, press releases, and ad hoc notices) are published on the Company's website.

Information on the auditors

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Frankfurt office, has been the auditor of SGL Carbon SE and the SGL Carbon Group since fiscal 2017 (January 1, 2017 to December 31, 2017). Mr. Janz has signed as the responsible public auditor since fiscal year 2017. This appointment followed a tender and selection process for the audit pursuant to Article 16 (3) of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of April 16, 2014 (Audit Regulation).

For details on the auditor's fees, please refer to page 157 of the 2020 annual report.

At the 2021 Annual General Meeting, the Supervisory Board will make a proposal, based on the recommendations of its Audit Committee, that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, should be appointed as the auditor for the Company and Group for fiscal year 2021 (and, in the event of any audit reviews of financial information during the year, for these audit services as well).

Deductible for D&O insurance

The Company has purchased liability insurance for the members of the Board of Management and the Supervisory Board

(D&O insurance) with a deductible of 10% of the loss up to the amount of one and a half times the fixed annual remuneration of the member in question.

Directors' dealings

Pursuant to the relevant provisions of capital markets law, the members of the Board of Management and the Supervisory Board and parties closely related to them are obliged to disclose their own dealings in equities or debt instruments of SGL Carbon SE or certain other financial instruments linked to these if the total value of these transactions exceeds a threshold value within a calendar year. Reports are published on the Company's website (www.sglcarbon.com, under "Company/Investor Relations/Shares/Managers' Transactions").

Wiesbaden, March 23, 2021

[SGL Carbon SE](#)

[The Board of Management of
SGL Carbon SE](#)

Dr. Torsten Derr

Thomas Dippold

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Consolidated Income Statement

For the period from January 1 to December 31

€m	Note	2020	2019
Sales revenue	5, 28	919.4	1,086.7
Cost of sales		-739.1	-878.9
Gross profit		180.3	207.8
Selling expenses		-88.5	-108.6
Research and development costs	5	-33.3	-36.8
General and administrative expenses	5	-46.5	-43.7
Other operating income	6	24.0	11.4
Other operating expenses	6	-7.5	-5.8
Result from investments accounted for At-Equity	7	11.5	15.4
Restructuring expenses	8	-27.2	0.7
Impairment losses	9	-106.5	-74.7
Operating profit/loss		-93.7	-34.3
Interest income	10	0.7	1.7
Interest expense	10	-27.8	-33.7
Other financing result	10	-2.3	-6.9
Result from continuing operations before income taxes		-123.1	-73.2
Income tax expense	11	-7.0	-16.2
Result from continuing operations		-130.1	-89.4
Result from discontinued operations, net of income taxes		0.7	-0.1
Net result for the year		-129.4	-89.5
Thereof attributable to:			
Non-controlling interests		2.8	0.5
Consolidated net result (attributable to the shareholders of the parent company)		-132.2	-90.0
Earnings per share basic (in €)	12	-1.08	-0.74
Earnings per share, diluted (in €)	12	-1.08	-0.74
Earnings per share continuing operations, basic and diluted (in €)		-1.09	-0.74

Consolidated Statement of Comprehensive Income

For the period from January 1 to December 31

€m	Note	2020	2019
Net result for the year		-129.4	-89.5
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges ¹⁾	27	0.0	0.4
Currency translation ²⁾		-36.2	8.6
Items that will not be reclassified to profit and loss			
Actuarial gains/losses on pensions and similar obligations ³⁾	22	-29.6	-27.2
Other comprehensive income		-65.8	-18.2
Comprehensive income		-195.2	-107.7
Thereof attributable to:			
Non-controlling interests		2.7	0.4
Consolidated net result (attributable to the shareholders of the parent company)		-197.9	-108.1

¹⁾ Includes tax effects of €0.0 million (2019: minus €0.1 million)

²⁾ Includes tax effects of €0.0 million (2019: €0.9 million)

³⁾ Includes tax effects of €0.3 million (2019: €0.6 million)

Consolidated Balance Sheet

As of December 31

ASSETS €m	Note	Dec. 31, 20	Dec. 31, 19
Non-current assets			
Goodwill	13	20.7	41.7
Other intangible assets	13	32.7	45.0
Property, plant and equipment	14	538.3	669.6
Investments accounted for At-Equity	7	56.2	56.7
Other non-current assets	15	7.1	7.0
Deferred tax assets	20	3.7	0.9
		658.7	820.9
Current assets			
Inventories	16	247.3	306.4
Trade receivables and contract assets	17	182.1	209.1
Other receivables and other assets	18	28.9	31.3
Liquidity	19	141.8	137.1
<i>Time deposits</i>		<i>0.0</i>	<i>4.0</i>
<i>Cash and cash equivalents</i>		<i>141.8</i>	<i>133.1</i>
		600.1	683.9
Total assets		1,258.8	1,504.8

EQUITY AND LIABILITIES €m	Note	Dec. 31, 20	Dec. 31, 19
Equity			
Issued capital	21	313.2	313.2
Capital reserves	21	1,041.6	1,041.6
Accumulated losses		-1,134.1	-936.2
Equity attributable to the shareholders of the parent company		220.7	418.6
Non-controlling interests		12.2	10.3
Total Equity		232.9	428.9
Non-current liabilities			
Provisions for pensions and similar employee benefits	22	340.1	318.7
Other provisions	23	36.7	31.4
Interest-bearing loans	24	410.9	404.4
Other financial liabilities	24	29.8	34.2
Other liabilities	24	4.6	5.3
Deferred tax liabilities	20	1.8	2.0
		823.9	796.0
Current liabilities			
Other provisions	23	70.1	67.1
Current portion of interest-bearing loans	24	3.7	3.2
Trade payables	24	77.6	108.7
Other financial liabilities	24	12.7	73.4
Other liabilities	24	37.9	27.5
		202.0	279.9
Total equity and liabilities		1,258.8	1,504.8

Consolidated Cash Flow Statement

For the period from January 1 to December 31

€m	Note	2020	2019
Cash flow from operating activities			
Result from continuing operations before income taxes		-123.1	-73.2
Adjustments to reconcile the result from continuing operations to cash flow from operating activities:			
Interest expense [net]		27.1	32.0
Change in value of contract assets (IFRS 15)		8.1	3.2
Result from the disposal of property, plant and equipment		-7.6	0.3
Depreciation/amortization expense		84.1	82.4
Impairment losses	9	106.5	74.7
Restructuring expenses	8	27.2	-0.7
Result from investments accounted for At-Equity	7	-11.5	-15.4
Amortization of refinancing costs		2.6	3.4
Interests received		0.7	2.1
Interests paid		-20.2	-19.6
Income taxes paid	11	-5.6	-4.8
Changes in provisions, net		0.3	-33.0
Changes in working capital			
Inventories		53.7	4.2
Trade receivables		10.8	14.3
Trade payables		-28.6	-4.7
Changes in other operating assets/liabilities		-20.5	-3.3
Cash flow from operating activities – continuing operations		104.0	61.9
Cash flow from operating activities – discontinued operations		-	-
Cash flow from operating activities – continuing and discontinued operations		104.0	61.9

€m	Note	2020	2019
Cash flow from investing activities			
Payments to purchase intangible assets and property, plant and equipment		-55.8	-95.1
Proceeds from the sale of intangible assets and property, plant and equipment		14.2	1.4
Payments received for divestitures		0.0	3.6
Dividend payments from investments accounted for At-Equity		11.3	10.9
Cash flow from investing activities – continuing operations		-30.3	-79.2
Changes in time deposits		4.0	54.1
Cash flow from investing activities and cash management activities – continuing operations		-26.3	-25.1
Cash flow from investing activities and cash management activities – discontinued operations		-1.9	-9.4
Cash flow from investing activities and cash management activities – continuing and discontinued operations		-28.2	-34.5
Cash flow from financing activities			
Proceeds from the issuance of financial liabilities		6.7	257.4
Repayment of financial liabilities		-4.0	-256.8
Changes in ownership interests in subsidiaries		-51.4	
Payment of principal portion of lease liabilities		-16.0	-8.7
Payments in connection with financing activities		-0.9	-8.7
Other financing activities		-0.7	-0.3
Cash flow from financing activities – continuing operations		-66.3	-17.1
Cash flow from financing activities – discontinued operations		0.0	0.0
Cash flow from financing activities – continuing and discontinued operations		-66.3	-17.1
Effect of foreign exchange rate changes		-0.8	0.3
Net change in cash and cash equivalents		8.7	10.6
Cash and cash equivalents at beginning of year		133.1	122.5
Cash and cash equivalents at end of year		141.8	133.1
Time deposits at end of year		0.0	4.0
Liquidity	19	141.8	137.1

Consolidated Statement of Changes in Equity

For the period from January 1 to December 31

	Equity attributable		
€m	Issued capital	Capital reserves	Accumulated profit/loss
Balance as of Dec. 31, 18	313.2	1,046.6	-790.3
Cumulative adjustment on initial application of IFRS 16			0.1
Balance as of Jan. 1, 19	313.2	1,046.6	-790.2
Net result for the year			-90.0
Other comprehensive income			-27.2
Comprehensive income			-117.2
Dividends			
Equity component of convertible bonds ¹⁾		-5.0	
Other changes in equity			
Balance as of Dec. 31, 19	313.2	1,041.6	-907.4
Net result for the year			-132.2
Other comprehensive income			-29.6
Comprehensive income			-161.8
Dividends			
Balance as of Dec. 31, 20	313.2	1,041.6	-1,069.2

¹⁾ Effects of €5.0 million in connection with the redemption of the 2015/2020 convertible bond

to the shareholders of the parent company							
Accumulated losses							
Accumulated other comprehensive income							
	Currency translation	Cash flow hedges [net]	Results from the mark-to-market valuation of securities	Accumulated losses	Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
	-37.5	-0.4		-828.2	531.6	10.7	542.3
				0.1	0.1	0.0	0.1
	-37.5	-0.4	0.0	-828.1	531.7	10.7	542.4
				-90.0	-90.0	0.5	-89.5
	8.7	0.4		-18.1	-18.1	-0.1	-18.2
	8.7	0.4	0.0	-108.1	-108.1	0.4	-107.7
				0.0	0.0	-0.3	-0.3
				0.0	-5.0		-5.0
				0.0	0.0	-0.5	-0.5
	-28.8	0.0		-936.2	418.6	10.3	428.9
				-132.2	-132.2	2.8	-129.4
	-36.1	0.0		-65.7	-65.7	-0.1	-65.8
	-36.1	0.0	-	-197.9	-197.9	2.7	-195.2
				0.0	0.0	-0.8	-0.8
	-64.9	0.0	-	-1,134.1	220.7	12.2	232.9

Notes to the Consolidated Financial Statements

1. General information

SGL Carbon SE, [commercial register number: HRB 23960 Wiesbaden], together with its subsidiaries (the Company or SGL Carbon), is a global manufacturer of products and solutions based on carbon fibers and specialty graphites. The Company has its registered office in Wiesbaden, Germany. Its address is SGL Carbon SE, Söhnleinstrasse 8, 65201 Wiesbaden. SGL Carbon has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional provisions pursuant to Section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB). The consolidated financial statements for the period ended December 31, 2020 were authorized for publication by the Board of Management on March 23, 2021.

The consolidated financial statements are generally prepared on the basis of historical cost, unless otherwise stated in [Note 2](#). The consolidated financial statements were prepared in euros (€) and are presented in millions of euros (€ million), rounded to the nearest €0.1 million unless otherwise indicated. Due to rounding, the figures may not add up to the totals stated.

2. Summary of significant accounting policies

The consolidated financial statements are prepared on the basis of the following principles of consolidation, accounting and valuation. In particular cases, it is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities as well as of income and expenses. Such estimates and assumptions can change over time and may have a significant impact on SGL Carbon's financial position and performance. The accounting principles used by SGL Carbon that are sensitive to estimates are set out in this Note (e.g. revenue recognition, impairment tests as well as provisions for pensions and similar employee benefits) and also, in particular, in [Notes 5, 8, 9, 20, 22 and 23](#).

Consolidation principles

The consolidated financial statements include SGL Carbon SE and its subsidiaries over which SGL Carbon exercises control. SGL Carbon controls a company if it has the power over the investee. In addition, SGL Carbon is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these through its power over the investee. As of

December 31, 2020, the scope of consolidation included 15 German (2019: 15) and 32 (2019: 32) foreign subsidiaries in addition to SGL Carbon SE. One (2019: one) jointly controlled company and two (2019: two) associates were accounted for At-Equity. The list of companies included in the consolidated financial statements as well as the full list of shares held by SGL Carbon in accordance with Section 313 (2) HGB can be found in [Note 31](#).

Associates and joint ventures

Associates are companies where SGL Carbon can exercise a significant influence over financial and operating policies. Joint ventures are companies where SGL Carbon and at least one other party exercise joint control. Joint control exists when the decisions about the relevant activities require unanimous consent of the parties sharing control. Interests in joint ventures and associates are included in the consolidated financial statements At-Equity. The share of SGL Carbon in the profit or loss of the joint venture or associate following its acquisition is recognized in the consolidated income statement, and its share in the other comprehensive income and of movements in equity that have not been recognized in the associate's profit or loss is recognized directly in equity. The accumulated changes after the acquisition date result in an increase or a decrease of the carrying amount of the joint venture or associate. If the losses incurred by a joint venture or associate that are attributable to SGL Carbon correspond to or exceed the value of the interest in such company, no further shares in losses are recognized in the financial statements. The share held in an associate or a joint venture is the carrying amount of the investment plus any long-term loans that, in substance, are allocated to the net investment of SGL Carbon in the associate or joint venture, respectively.

Foreign currency translation

Translation of items denominated in foreign currency

In the financial statements of the individual consolidated companies, amounts receivable and payable denominated in foreign currency are translated at the year-end middle rates, irrespective of whether they are hedged. The exchange differences arising from the revaluation of items denominated in foreign currency are recognized in the income statement as other operating expense and/or other operating income. Translation differences on non-current intercompany receivables are treated as net investments in foreign operations and recognized directly in equity [currency translation].

Translation of financial statements prepared in foreign currency

Separate financial statements denominated in foreign currencies for companies included in the scope of consolidation are translated on the basis of the functional currency concept (IAS 21) in accordance with the modified closing rate method. From a financial, commercial, and organizational perspective, all subsidiaries operate their respective businesses independently, and the functional currency is therefore identical to their respective local currency. As a consequence, balance sheet items are translated at the year-end closing rate and income statement items at the average rates for the year. Currency translation differences are reported as a separate item of equity until the foreign operation is disposed of.

Sales revenue, contract assets, trade receivables and contract liabilities

SGL Carbon recognizes revenue as soon as control of the goods is transferred or the service is provided, i. e. when the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods or services. A prerequisite for this is that a contract exists with enforceable rights and obligations and that, amongst other things, it is probable that SGL will collect the consideration, taking into account the customer's credit quality. Revenue comprises the equivalent value that SGL Carbon expects to receive for the transfer of goods or the provision of services. In the case of the sale of standard products, revenue is recognized from the date on which control is transferred to the purchaser, which normally occurs when the goods are delivered. Invoices are issued as of this date. In contrast, in the case of order-related production where contract work has to be delivered and the final product cannot be sold to (any) other customers (third parties) as it is a customer-specific asset with no alternative use, revenue is recognized over the production period.

The assessment whether an asset is highly tailored to a specific customer is particularly important for revenue recognition over the production period, as is the estimate of the consideration that SGL Carbon expects to receive. This estimate includes subjective measurements as well as the use of assumptions that are inherently characterized by uncertainty and may be subject to change.

Contract assets, contract liabilities and trade receivables

If one of the parties to a contract with a customer fulfills its contractual obligations, a contract asset or a contract liability

is reported, depending on the relationship between service provision by SGL Carbon and the customer's payment. Contract assets primarily result from sales of goods where control is transferred to the customer before SGL Carbon has obtained an unconditional right to receive a consideration. Contract liabilities mainly result from advance payments received for products not yet delivered. Contract assets and contract liabilities are offset on an individual contract level and reported as current items since they are incurred within the normal operating cycle. Receivables are reported when the claim to receive a consideration is no longer subject to any conditions. Loss allowances on contract assets and trade receivables for credit risks are recognized in accordance with the accounting principles used for financial assets measured at amortized cost.

SGL Carbon agrees upon payment terms that are common industry practice; contracts with customers do not include material financing components.

Warranties promise the customer that the delivered product is as specified in the contract. Thus, warranty obligations do not constitute separate performance obligations and are recorded as provisions in accordance with IAS 37.

Services are generally provided in connection with the sale of products and are recognized once the services have been rendered. The amount of revenue from the provision of services plays a minor role in comparison to revenue from the transfer of goods.

For information on impairment losses on receivables from contracts with customers, please refer to [Note 27](#) "Additional disclosures on financial instruments-Credit risk".

Income and expenses

Operating expenses are recognized when a product is delivered, a service is used, or the expense is incurred. Interest income is allocated to the periods in which it is earned and interest expense to the periods in which it is incurred. Advertising and sales promotion expenses as well as other customer-related expenses are recognized in profit or loss as incurred. Provisions for estimated expenses for statutory warranty obligations are recognized upon sale of the product concerned in the amount of the estimated utilization based on past experience. Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis

over the periods that the related costs, for which it is intended to compensate, are expensed.

Earnings per share

Basic earnings per share are calculated by dividing the result from continuing operations, the result from discontinued operations, and the net result for the year after tax - each of which is attributable to the shareholders of the parent company - by the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share take into account all potentially dilutive convertible bonds and share-based payment plans, assuming conversion or exercise.

Goodwill

Goodwill is not amortized, but must be tested for impairment annually, or whenever events or changes in circumstances indicate that it might be impaired. The impairment test involves allocating the goodwill to the group of cash generating units (CGU), which represent the lowest level within the organization at which goodwill is monitored for the purposes of internal management and control. At SGL Carbon, the CGUs are defined one level below the segment. An impairment loss is recognized if the carrying amount of the CGU to which goodwill has been allocated is higher than the recoverable amount. At SGL Carbon, impairment tests are performed in accordance with the procedure described in the section entitled "Impairment tests of property, plant and equipment and other intangible assets".

Property plant and equipment, other intangible assets and investment property

Items of property, plant and equipment as well as other intangible assets used in the business operations for more than one year are measured at cost less straight-line depreciation and any impairment losses. The same applies to investment properties, which comprise properties held by the Company to generate rental income and/or for capital appreciation and which are not used in production or for administrative purposes. If items of depreciable property, plant and equipment comprise significant identifiable components, each with a different useful life, these components are treated as separate assets and depreciated over their respective useful lives. Investment grants for the purchase or construction of items of property, plant and equipment result in a decrease of the recognized

cost of the respective assets. Other grants or subsidies received are recognized over the contractual life or the foreseeable useful life of the asset.

The following useful lives are used throughout SGL Carbon as the basis for calculating depreciation on property, plant and equipment on a straight-line basis:

Property, plant and equipment – useful lives	
Buildings	10 to 40 years
Plant and machinery	4 to 25 years
Other equipment	3 to 15 years
Office furniture and equipment	3 to 15 years

The other intangible assets are amortized on a straight-line basis over a useful life of up to 12 years.

Leases

A lease is a contract that conveys the right to use an asset (the leased asset) for an agreed period of time in exchange for consideration.

SGL Carbon as lessee generally recognizes in the balance sheet assets for the right to use the leased assets and liabilities for the payment obligations assumed at present value for all leases in accordance with IFRS 16. The lease liabilities include the following lease payments:

- fixed payments, less any lease incentives provided by the lessor
- variable payments that depend on an index or rate
- the exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the incremental borrowing rate is used as the discount rate. SGL Carbon applies a single discount rate to a portfolio of leases with reasonably similar characteristics. Right-of-use assets are measured at cost comprising the lease liability plus any directly attributable costs. They are subsequently measured at amortized cost. The right-of-use assets are depreciated on a straight-line basis over the contract period.

Practical reliefs are made use of for leased assets of low value and for short-term leases (less than twelve months), meaning that the payments are recognized as expenses in the income statement on a straight-line basis over the lease term. In the

case of contracts that contain both lease components and non-lease components, the option not to separate these components is exercised for property, plant and equipment. In addition, in accordance with IFRS 8 on segment reporting, intragroup leases generally continue to be presented in future as operating leases in accordance with IAS 17 in line with internal management.

If SGL Carbon concludes contracts as lessor, such contracts are classified as finance leases pursuant to IFRS 16 if substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. All other short-term rentals and leases are classified as operating leases in accordance with IFRS 16. If the Company enters into finance lease contracts as lessor, the lease installments payable by the lessee in the future are recognized as a lease receivable in the amount of the net investment value from the lease contract. These are measured on the basis of the simplified impairment model in accordance with IFRS 9. In the case of operating leases, the Company carries the leased asset at amortized cost under property, plant and equipment. The lease installments received during the period are shown under sales revenue.

Impairment test of property, plant and equipment and other intangible assets

SGL Carbon assesses at each balance sheet date whether there are indications (triggering events) that its intangible assets and its property, plant and equipment are impaired. If such an indication is identified, the recoverable amount is estimated and compared with the carrying amount in order to quantify the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell (net selling price) or value in use, with the value in use being determined first by SGL Carbon. If this amount is higher than the carrying amount, the net selling price will not be calculated. SGL Carbon determines these values using a generally accepted measurement model on the basis of discounted future cash flows; this corresponds to Level 3 of the fair value hierarchy of IFRS 13. If an asset does not generate cash flows that are largely independent of those generated by other assets, the impairment test is not conducted on the level of the individual asset, but instead on the level of the CGU to which the asset belongs.

The discounted cash flows are themselves based on five-year projections for the individual CGUs that have been prepared using a bottom-up approach and that have been analyzed by the Board of Management of SGL Carbon and approved by the Su-

pervisory Board. Those projections are based on internal expectations and assumptions that have been checked against external data and adjusted where necessary. For each year and each CGU, the projection includes budgeted unit sales, sales revenue, and cost planning together with the associated forecasts of operating profit and cash flows. Sales revenue and profit trends are projected at the product or product group level based on the expected market, economic, and competitive trends for the subsequent five years and then aggregated at CGU level. For the purpose of determining the terminal value in the reporting year, the steady state is determined on the basis of the last (generally the fifth) forecast year; if justified, the detailed planning period may be extended. The resulting future cash flows are then extrapolated using individual growth rates. The estimated future cash flows are discounted to their present value using a discount rate reflecting current market expectations for interest rates and the specific risks related to the asset or the CGU. The most significant assumptions on which the determination of the recoverable amount is based include estimated cash flows (especially sales and margin trends), growth rates, and weighted average cost of capital. These assumptions and the underlying methodology may have a significant impact on each value and, ultimately, on the amount of any impairment loss applied to the asset.

As soon as there is any evidence that the reasons for impairment have ceased to exist, SGL Carbon determines whether a full or partial reversal of an impairment loss is required.

Financial instruments

A financial instrument in accordance with IAS 32 is a contractually agreed right or a contractually agreed obligation which results in an inflow or outflow of financial assets and in the issue of equity instruments. This includes primary, i.e. non-derivative, financial instruments such as trade receivables and payables, contract assets and contract liabilities, securities and financial assets, borrowings, and other financial liabilities. It also includes derivative financial instruments that are used to hedge against risk arising from changes in exchange rates and interest rates.

Financial instruments are generally recognized at their fair value upon initial measurement. Transaction costs directly attributable to the acquisition or issue of financial instruments are taken into account in the initial measurement of the carrying amount. Embedded derivatives are separated from the host contract (financial instrument) subject to certain preconditions and measured separately at fair value. A regular way purchase

or sale of financial assets is recognized as of the trade date. Subsequent measurement of financial instruments is based on the category to which they are allocated: financial assets and liabilities measured at amortized cost, financial assets measured at fair value through other comprehensive income as well as financial assets and liabilities measured at fair value through profit or loss. Financial assets and financial liabilities are grouped into the following main IFRS 9 classes:

Financial assets measured at amortized cost: Cash and cash equivalents, trade receivables as well as contract assets that are held under the business model "Held to collect contractual cash flows" and whose contractual cash flows solely represent payment of principal and interest are measured at amortized cost.

Financial liabilities measured at amortized cost: SGL Carbon measures financial liabilities at amortized cost using the effective interest method, with the exception of derivatives.

Financial assets measured at fair value through other comprehensive income: If the asset is held within a business model whose objective is to hold the assets, but also allows for the sale of such assets and whose cash flows are solely payments of principal and interest, these assets are measured at fair value through other comprehensive income. This measurement category is not used at SGL Carbon.

Financial assets and liabilities measured at fair value through profit or loss: Financial assets with cash flows that are solely payments of principal and interest, but that are not held within one of the aforementioned business models, are recognized at fair value through profit or loss. This also includes trade receivables that are intended for sale based on a factoring agreement. Equity instruments may, alternatively, be measured at fair value through other comprehensive income in accordance with IFRS 9. SGL Carbon currently does not apply this option to measure individual instruments at fair value through other comprehensive income. Therefore, equity instruments, such as securities, are measured at fair value through profit or loss.

Financial assets are derecognized when the contractual rights to cash flows from the financial asset in question expire or have been extinguished. Financial liabilities are derecognized when the liability has been repaid, i.e. when all financial obligations specified in the agreement have been settled, canceled definitively or have expired. The difference between the carrying amount of the liability settled and the consideration paid is recognized in profit or loss.

Hybrid financial instruments

Financial instruments that contain both a debt and an equity component are classified in separate balance sheet items according to their character. Convertible bonds are examples of instruments treated as such. The fair value of the share conversion rights is recognized separately in capital reserves at the date the bond is issued and therefore deducted from the bond liability. The fair values of conversion rights from bonds issued at below-market interest rates are determined using the capitalized difference to the market interest rate level. The interest expense for the debt component is calculated over the term of the bond based on the market interest rate at the date of the issue for a comparable bond without a conversion right. The difference between the calculated interest and the interest actually paid leads to an increase in the carrying amount of the bond liability. The issuing costs of the convertible bond are deducted directly from the carrying amount of the debt component and the equity component in the same proportion.

Derivative financial instruments

In accordance with IFRS 9, all derivative financial instruments are recognized in the balance sheet at their fair value. Financial instruments are recognized as soon as SGL Carbon enters into a contract for a financial instrument. The financial instruments are recognized as of the date on which the relevant transaction is entered into. The Company determines upon inception of a derivative whether it will be used as a cash flow hedge. Cash flow hedges are used to hedge against fluctuations in future cash flows resulting from highly probable forecast transactions. The documentation of the hedging relationship includes the aims and the strategy of risk management, the type of the hedging relationship, the hedged risk, a description of the hedging instrument and of the hedged item as well as an assessment of the effectiveness criteria. The hedging relationships are reviewed on a regular basis to ascertain whether they were effective during the entire reporting period for which they were designated. Individual derivatives do not fulfill the hedge accounting criteria stipulated by IFRS 9 although, in substance, they represent a hedge. Changes in the fair value of derivatives are recognized as follows:

1. Cash flow hedge: Only the changes in the fair values of the currency forwards are designated as the hedging instrument in the case of cash flow hedges. The effective portion of the changes in the fair value of derivatives used as cash flow hedges is recognized directly in accumulated other comprehensive income. The ineffective portion of the fair

value changes of the hedge is recognized in profit or loss. The changes in the fair value of cross currency basis spreads of the derivatives are not reported separately since they are immaterial. All amounts recognized in equity are subsequently transferred to profit or loss when the hedged item is taken to profit or loss.

2. Hedges of a net investment in a foreign operation: In the case of a hedge of a net investment in a foreign operation, the effective portion of the gains or losses from the changes in value of the hedging instrument is recognized directly in equity. The ineffective portion is recognized in the income statement. If the investment is disposed of, the measurement gains or losses of the hedging instrument recognized in equity are transferred to profit or loss.
3. Stand-alone derivatives (no hedging relationship): Changes in the fair value of derivatives that do not meet the hedge accounting criteria are recognized in the income statement in accordance with the procedure used for financial instruments in the held-for-trading category and, therefore, must be accounted for at fair value through profit or loss. The settlement date is used as the date for first-time recognition if the trade date and the settlement date are not the same. See [Note 27](#) for further information on financial instruments.

Impairment of financial assets

Loss allowances are recorded for expected credit losses which represent a forward-looking estimate of future credit losses and require significant accounting judgments. In general, a 3-stage model has to be followed for the determination of expected credit losses and the allocation of loss allowances; this can be summarized as follows:

Stage 1: All financial assets are allocated to Stage 1 upon initial recognition. A loss allowance is recognized in the amount of the credit losses expected within the next twelve months.

Stage 2: When the credit risk of a financial asset has increased significantly, but the credit quality is not impaired, the financial asset is transferred from Stage 1 to Stage 2. The recognized loss allowances correspond to the lifetime expected credit losses in relation to the financial asset.

Stage 3: If a financial asset is credit-impaired or already in default, it is transferred to Stage 3. The recognized loss allowances correspond to the lifetime expected credit losses in relation to the financial asset. The effective interest income is calculated based on the net amount (gross amount less loss allowance). Objective evidence indicating that a financial asset

is credit-impaired include a past due status of at least 45 days as well as additional information on significant financial difficulties of the debtor.

Cash and cash equivalents as well as time deposits (liquidity) are allocated to Stage 1 since cash funds are mainly invested at banks and financial institutions with a low default risk (investment grade rating: S&P AAA to BBB-).

SGL applies a simplified approach as regards trade receivables and contract assets, which allows for loss allowances to be measured based on the lifetime expected credit losses.

Inventories

Inventories are carried at acquisition or conversion cost using the weighted average cost method. Where required, the lower net realizable value is recognized. The net realizable value is determined using the estimated selling prices less costs to complete and costs to sell as well as other factors relevant for sales. In addition to directly attributable costs, the cost of conversion also includes an appropriate portion of material and production overheads. Directly attributable costs primarily comprise labor costs (including pensions), depreciation/amortization, and directly attributable cost of materials. Borrowing costs are not capitalized. Impairment losses are recognized as cost of sales.

Liquidity

Liquidity is comprised of cash and cash equivalents as well as time deposits. Cash and cash equivalents consist of cash funds and bank balances with an original maturity of less than three months. Bank balances with an original maturity of more than three months are reported as time deposits

Deferred taxes

In accordance with IAS 12, deferred tax assets and liabilities are determined for temporary differences between the tax base and the carrying amount in the IFRS consolidated balance sheet as well as for tax loss carryforwards, including tax write-downs carried forward, for interest carryforwards and tax credits carried forward. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and possible tax strategies. To the extent that the company or the tax group has a history of recent losses, deferred tax assets arising from tax loss carryforwards

are recognized only to the extent that the enterprise has sufficient taxable temporary differences or there is substantial evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized. Deferred tax assets are impaired to the extent that convincing substantial evidence for the usability cannot be provided.

Changes in deferred taxes recognized in the balance sheet generally lead to tax expense or tax income. However, in the event that items resulting in a change in deferred taxes are recognized directly in a component of equity, the change in deferred taxes is also recorded directly in this component of equity. Deferred tax assets and liabilities are netted if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes refer to income taxes of the same taxable entity levied by the same tax authority.

Accumulated other comprehensive income and accumulated profit/loss [Consolidated Statement of Changes in Equity]

Accumulated other comprehensive income includes currency translation differences as well as unrealized gains or losses from financial derivatives used as cash flow hedges or as a hedge of a net investment in a foreign operation, with the gains or losses being recognized outside profit or loss as a component of other comprehensive income in accordance with IFRS 9. In addition, actuarial gains and losses from defined benefit plans are recognized directly in equity as accumulated profit/loss in the year in which they occur and in the full amount. Accordingly, deferred taxes recognized in connection with the abovementioned items are also recorded directly in equity in the relevant component of accumulated other comprehensive income.

Provisions for pensions and similar employee benefits

SGL Carbon's pension obligations include both defined benefit and defined contribution pension plans. Provisions for pensions and other post-employment benefits in connection with defined benefit plans are determined using the projected unit credit method. This method takes into account known annuities and vested pension rights as of the balance sheet date as well as future expected salary and pension increases. If the benefit entitlements are funded through plan assets, SGL Carbon offsets the fair value of plan assets with the present value

of the defined benefit obligation (DBO) and reports the net amount thus determined in the provisions for pensions and similar employee benefits.

The DBO is determined on the balance sheet date using the respective interest rate for first-grade corporate bonds of a similar term. The assumptions used for the calculation of the DBO as of last year's balance sheet date apply for the determination of current service cost as well as the interest income and interest expenses in the following fiscal year. Net interest income or expense for a fiscal year is calculated by multiplying the discount rate applicable for the relevant fiscal year with the net asset or the net liability as of last year's balance sheet date and is recognized in the net financing result. Actuarial gains and losses arising from experience adjustments and changes to actuarial assumptions are recognized in other comprehensive income (accumulated profit/loss) in the period in which they occur, together with related deferred taxes.

Actuarial valuations are based on material assumptions, such as assumptions on discount rates, expected salary and pension increases as well as mortality rates. The underlying assumptions may differ from actual development due to changing market, economic and social conditions. Payments made under defined contribution plans are expensed to profit or loss as incurred.

Other provisions

Other provisions are recognized when there is a present obligation towards third parties as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Long-term provisions are discounted at the risk-free interest rate (negative, where applicable). The accounting treatment and recognition of provisions for obligations in connection with incentive plans for management and employees is described in [Note 29](#).

SGL Carbon recognizes tax provisions as soon as such an obligation is deemed probable and the amount of the obligation can be reasonably estimated. Expected tax refunds are not offset but recognized as a separate asset to the extent that these do not refer to the same tax type.

Product warranty provisions are expensed at the time of recognition as costs of sale. The amount of the provision is established on a case-by-case basis. In the context of the measurement of provisions, SGL Carbon takes into account experience

related to the actual warranty expense incurred in the past as well as technical information concerning product deficiencies discovered in the design and test phases. Provisions for restructuring measures are recognized when a detailed formal restructuring plan has been adopted and has been communicated to the parties concerned. Provisions for expected losses from onerous contracts are recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provisions are based on management judgment with regard to amount and probability of future utilization. Significant estimates and assumptions are required for the calculation of provisions related to material asset retirement obligations and closures.

3. Recently issued accounting pronouncements

The IASB has published further standards, interpretations and amendments to standards and interpretations which are not yet required to be applied as well and some of which still have to be endorsed by the EU before they may be applied. SGL Carbon currently expects that the application of these standards and interpretations will not have a material impact on the consolidated financial statements.

4. Acquisitions and disposals

Fiscal year 2020

There were no changes in the scope of consolidation between December 31, 2019 and December 31, 2020.

Fiscal year 2019

In 2019, the Company sold – as planned – the 50.9% stake in the fully-consolidated SGL CARBON KARAHM LTD. (Korea). The effect from deconsolidation amounted to €0.2 million (after taxes).

5. Sales revenue, functional costs

The breakdown of sales revenues by segment, intersegmental revenues, and the regional distribution of sales revenue are presented in [Note 28](#) "Segment reporting."

The future competitiveness of SGL Carbon is guaranteed through sustained development of new products, applications and processes. This is also reflected in SGL Carbon's research and development costs, which remained high at €33.3 million [2019: €36.8 million]. Broken down by business segment, research and development costs were as follows: €12.5 million

[2019: €12.3 million] in the reporting segment Graphite Materials & Systems (GMS), and €10.3 million [2019: €13.0 million] in the reporting segment Composites - Fibers & Materials (CFM). Research and development costs on a corporate level amounted to €10.5 million [2019: €11.5 million].

General and administrative expenses increased slightly by around 6% compared to the prior year. The increase mainly results from costs for management consulting as well as severance payments as regards the Board of Management.

Additional disclosures in connection with the nature-of-expense method are provided below:

€m	2020	2019
Wages and salaries (including bonus)	-267.7	-273.1
Social security contributions, post-employment and other employee benefit costs (thereof for pensions: 2020 minus €18.3 million: 2019: minus €19.9 million)	-72.5	-77.3
Total	-340.2	-350.4

In the year under review, personnel expenses include restructuring expenses in the amount of €18.2 million.

Depreciation and amortization

At €84.1 million, amortization and depreciation of intangible assets and property, plant and equipment were slightly above the prior-year level [2019: €82.4 million] and include carryforwards of hidden reserves realized as part of the purchase price allocations of SGL Composites GmbH (previously Benteler SGL) and SGL Composites Materials Germany GmbH, Meitingen [SGL Composites DE] and SGL Composites LLC, Moses Lake, USA [SGL Composites US] in a total amount of €10.8 million [2019: €10.8 million]. Amortization of intangible assets in the amount €13.9 million [2019: €12.6 million] primarily relate to the depreciation of the customer base from the purchase price allocation of SGL Composites DE. Depreciation of property, plant and equipment totaled €70.2 million in 2020 [2019: €69.8 million].

Personnel expenses, depreciation and amortization expense are included in all functional costs, such as the cost of sales, selling expenses, research and development costs, and general and administrative expenses.

Number of employees

As of the end of fiscal year 2020, the number of SGL Carbon employees had decreased considerably compared with the prior year. This number includes 310 employees with fixed-term contracts (2019: 476). In both reporting segments, the number of employees declined due to the weaker demand, in particular in production-related areas. Employees from shared functions are allocated to the business units using performance-based allocation keys. The number of employees for Corporate also include employees that provide services to the disposed business unit PP as well as to parts of the investment Brembo SGL Carbon Ceramic Brakes, which is accounted for At-Equity. The number of employees in the reporting segment Corporate was reduced as a result of the declining services provided to the former business units.

The tables below provide an overview of the number of employees by reporting segment and region:

Headcount	Dec. 31, 20	Dec. 31, 19	Change
Graphite Materials & Systems	3,032	3,141	-3.5%
Composites – Fibers & Materials	1,570	1,698	-7.5%
Corporate	235	288	-18.4%
Total	4,837	5,127	-5.7%

Headcount	Dec. 31, 20	Dec. 31, 19
Germany	2,249	2,341
Europe excluding Germany	1,328	1,461
North America	743	829
Asia	517	496
Total	4,837	5,127

The average number of employees in the individual functional areas was as follows:

Headcount	2020	2019
Production and auxiliary plants	3,626	3,802
Sales and marketing	378	343
Research and development	141	164
Administration, other functions	832	806
Total	4,977	5,115

6. Other operating income/expense

Other operating income

€m	2020	2019
Exchange-rate gains	4.5	2.4
Gains on the sale of intangible assets and property, plant and equipment	9.1	0.4
Grants received	3.8	3.6
Insurance compensations	1.7	1.5
Miscellaneous other operating income	4.9	3.5
Total	24.0	11.4

The item "Gains on the sale of intangible assets and property, plant and equipment," which amounts to €9.1 million, primarily refers to income from the partial sale of land and buildings held as investment property. For further information, please refer to [Note 14 "Investment property"](#).

Other operating expenses

€m	2020	2019
Exchange-rate losses	-4.3	-2.8
Losses on the sale of non-current assets	-1.4	-0.9
Other operating expenses	-1.8	-2.1
Total	-7.5	-5.8

Currency transaction gains and losses arising from the measurement of receivables and liabilities denominated in a currency other than the functional currency of the reporting entity at the closing rate are presented under other income or other expenses.

In addition, other operating income and other operating expenses included a number of insignificant individual transactions carried out by the 48 (2019: 48) fully consolidated companies.

7. Investments accounted for At-Equity

Result from investments accounted for At-Equity

€m	2020	2019
Share in the net result of the year	11.5	15.4
<i>Thereof joint ventures</i>	10.0	13.8
<i>Thereof associates</i>	1.5	1.6
Other adjustments affecting profit or loss	0.0	0.0
<i>Thereof joint ventures</i>	0.0	0.0
Result from investments accounted for At-Equity	11.5	15.4

€m	31. Dez 20	31. Dez 19
Interests in joint ventures	45.7	46.1
Interests in associates	10.5	10.6
Carrying amount	56.2	56.7

Joint Ventures

At the end of the reporting year, SGL Carbon held interests in the joint venture Brembo SGL Carbon Ceramic Brakes S.p. A., Stezzano, Italy [BSCCB]. BSCCB develops and produces carbon ceramic brake discs primarily for sport cars and premium class vehicles. The following tables summarize the financial performance and the financial position of BSCCB, as reported in their own financial statements (taking into account IFRS 15 effects). The table also shows the reconciliation of the summarized financial information to the carrying amount of SGL Carbon's share in the BSCCB joint venture. SGL Carbon received a dividend payment from BSCCB in the amount of €10.0 million (2019: €10.0 million).

€m	2020	2019
Ownership interest	50.0%	50.0%
Income statement		
Sales revenue [100%]	158.6	181.2
Operating profit/loss	27.9	38.7
Net financing result	-0.5	-0.5
Net result for the year [100%]	20.9	27.7
Share of SGL Carbon in the net result of the year [50%]	10.0	13.8

Balance sheet	31. Dez 20	31. Dez. 19
Non-current assets	67.1	70.3
Current assets	80.3	69.8
<i>Thereof cash and cash equivalents</i>	34.4	25.6
Non-current liabilities	24.6	24.6
<i>Thereof financial debt</i>	0.0	0.0
Current liabilities	38.6	30.5
<i>Thereof financial debt</i>	0.0	2.0
Net assets (100%)	84.2	85.0
Share of SGL Carbon in net assets (50%)	42.1	42.5
Goodwill/customer base	3.6	3.6
Carrying amount of material joint ventures	45.7	46.1

Associates

In addition, SGL Carbon holds shares in two associates which, taken individually, are immaterial and which contributed a total of €1.5 million (2019: €1.6 million) to the result from investments accounted for At-Equity.

The fiscal year of all companies corresponds to the calendar year, except for the associate MCC-SGL Precursor Co. Ltd., which has a different fiscal year ending March 31.

8. Restructuring expenses

€m	2020	2019
Expenses/Income from initiated restructuring measures	-27.2	0.7
Total	-27.2	0.7

In order to ensure sustainable competitiveness and profitability, even against the background of the increasingly tough market and competitive environment, SGL Carbon initiated an extensive restructuring program in October 2020. Based on the actual costs incurred in 2019, measures to improve earnings in a volume of more than €100 million are planned to be implemented through reductions in workforce of more than 500 employees and extensive savings in indirect spend. The restructuring expenses in fiscal year 2020 refer to personnel measures in a total amount of €18.2 million. These personnel measures comprise agreements on severance payments, termination of employment contracts and early retirement schemes. Restructuring expenses also comprise external consulting fees of €7.0 million that are directly associated with the restructuring. Moreover, the restructuring expenses incurred in the reporting year include follow-up costs from restructuring programs from previous years for closed-down sites in the amount of €2.0 million.

9. Impairment losses

€m	2020	2019
Impairment losses on		
Goodwill	-19.5	-
Other intangible assets and property, plant and equipment	-87.0	-74.7
Total	-106.5	-74.7

Impairment tests

All of the goodwill is tested for impairment on CGU level in accordance with IAS 36 at least once annually on October 1 or whenever a triggering event has occurred. As a result of the reorganization of the segment structure conducted as of January 1, 2021, the annual impairment test was performed for both the previous and the new CGU structure. Within the context of the impairment tests performed for goodwill, the previous CGU Composites DE of the CFM reporting segment was found to be fully impaired in relation to the allocated goodwill of €19.5 million. As the required impairment amount of €33.5 million exceeded the capitalized goodwill, impairment losses for property, plant and equipment in an additional amount of €14.0 million were recorded, based on a recoverable amount of €273.2 million. The basis for the impairment of goodwill and property, plant and equipment was the respective value in use.

The new structure of the reporting segments was resolved as of January 1, 2021. As from January 1, 2021, SGL Carbon defines segments in principle as CGUs in accordance with IFRS 8. The previous reporting segment CFM, together the related CGUs CF/CM, Composites DE and Composites Solutions (CS), was split into the CGUs Carbon Fibers (CF) and CS. CF combines the activities in the production of carbon fibers and semi-finished carbon fiber products, primarily for the wind and automotive industries. The CGU Composites DE is integrated into CF as it no longer generates independent cash flows after the reorganization and the reciprocal utilization of the capacities of both carbon fiber plants in the United States and the United Kingdom.

Triggering events for the impairment test in the fourth quarter were, apart from the announcement of comprehensive restructuring measures and the persistent weakness in the automotive market segment, in particular the strategic reassessment of a collaboration with an international chemical group that was announced at the end of 2019 to develop carbon fiber composite materials for primary structures in aviation in the current market segment CFM, and the resulting significant deviations

from the last five-year plan. As a consequence, the recoverability of other intangible assets and property, plant and equipment had to be reviewed on the basis of the new CGU structure (segments). The high amount of capital tied up in the CGU CF and its low profitability resulted in an additional impairment of €73.0 million, based on a comparison of the recoverable amount (value in use) and the carrying amount, given a recoverable amount of €259.5 million. A surplus was identified for CS since the recoverable amounts exceeded the respective carrying amounts.

Assumptions of the impairment tests

The projected cash flows for Composites DE were adjusted for the purpose of the impairment test (goodwill) on the basis of an updated five-year plan, and a pre-tax discount rate of 9.6% was applied. A detailed planning period of more than five years was used as a basis to reflect the necessary qualifications of the products at the customer industries. For the purpose of determining the terminal value, a steady state was derived by means of objective analyses and the resulting cash flows were extrapolated using the same growth rate of 1% as in the last impairment test. Please refer to [Note 13](#) for more information on the assumptions used for goodwill impairment tests.

An before-tax discount rate of 10.3% was applied for the projected cash flows at CF in connection with the event-driven impairment test performed in the fourth quarter of 2020 in relation to other intangible assets and property, plant and equipment on the basis of the new CGU structure. A detailed planning period of more than five years was used as a basis to reflect the necessary qualifications of the products at the customer industries. After the detailed planning period, the cash flows were extrapolated using a growth rate of 1%. In addition, the planning horizon was limited to 25 years, which corresponds to the estimated remaining useful life of the main production facilities.

In the previous year, SGL Carbon conducted event-driven impairment tests as of September 30, 2019 in relation to intangible assets and property, plant and equipment for the CGUs Carbon Fibers & Composite Materials (CF/CM) as well as Composites DE (previously SGL ACF), primarily due to the low starting base level for 2019 as well as the persisting weakness in the market segments of textile fibers, wind energy and industrial applications in the CFM reporting segment. No goodwill was allocated to the carrying amount of CF/CM while the carrying amount of Composites DE included goodwill of €19.5 million.

The forecast cash flows for CF/CM and Composites DE, respectively, were then adjusted to the new five-year plan and a pre-

tax discount rate of 8.7% [CF/CM] and an pre-tax discount rate of 8.1% [SGL Composites DE], respectively, was applied for the impairment test as of September 30, 2019. For the purpose of determining the terminal value at Composites DE, a steady state was derived by means of objective analyses and the resulting cash flows were extrapolated using the same growth rate as in the last impairment test. Also unchanged compared with the last impairment test, a detailed planning period of more than five years was used as a basis at Composites DE to reflect the necessary qualifications of the products at the customer industries.

As a result of the updated planning, an impairment loss was recognized in the prior year for other intangible assets and property, plant and equipment at CF/CM in the amount of €74.7 million [of which €3.1 million relate to intangible assets]. No requirement to recognize an impairment loss was identified for Composites DE, i.e. the CGU's amount determined on the basis of the value-in-use was estimated to be higher than its carrying amount. This excess of the value-in-use over the carrying amount would be reduced to zero in case of an increase in the discount rate by 0.7% points or in case of a reduction of the cash flows in the terminal value by 18%.

10. Financial result

€m	2020	2019
Interest in other securities, other interest and similar income	0.7	1.7
Interest on financial liabilities and other interest expense ¹⁾	-18.1	-19.1
Interest component of additions to provisions for pensions	-4.1	-6.4
Imputed interest convertible bonds ¹⁾	-2.7	-4.7
Imputed interest on lease liabilities and other financial liabilities ¹⁾	-2.9	-3.5
Interest expense	-27.8	-33.7
Interest expense	-27.1	-32.0
Amortization of refinancing costs ¹⁾	-2.6	-3.4
Foreign currency valuation of intercompany loans	-0.1	1.6
Effect resulting from the early redemption of the convertible bond 2015/2020	-	-5.5
Other financial income/expenses	0.4	0.4
Other financing result	-2.3	-6.9
Net financing result	-29.4	-38.9
¹⁾ Total interest expense from financial instruments	-26.3	-30.7

Interest expenses in particular included interest from the corporate bond at an interest rate of 4.625% and the cash interest component [coupon] of the 2018/2023 convertible bond with an interest rate of 3.0%. The non-cash imputed interest on the convertible bonds is established by approximating the below-market coupon with the comparable market interest rate at the time the convertible bonds are issued.

The improvement of the financial result compared to the previous year is largely attributable to the prior-year effect from the early repurchase of the 2015/2020 convertible bond in the amount of €5.5 million, which did not occur in the current reporting year.

11. Income tax expense

The calculation of deferred taxes for the domestic companies for the years 2020 and 2019 was based on a corporate income tax rate of 15%. In addition, a solidarity surcharge of 5.5% on corporate income tax as well as a trade tax rate of 14% were taken into account; the tax rate calculated for deferred taxes at the domestic companies was 29.8% [2019: 29.9%]. The calculation of deferred taxes for the foreign companies was based on country-specific corporate income tax rates.

The breakdown of tax expense is as follows:

€m	2020	2019
Current income taxes		
Germany	-3.4	-0.8
Other countries	-6.3	-5.6
Total	-9.7	-6.4
Deferred taxes		
Germany	1.5	-2.8
Other countries	1.2	-7.0
Total	2.7	-9.8
Total sum	-7.0	-16.2

Actual tax expense includes taxes for prior years from domestic and foreign companies in the amount €0.7 million [2019: €0.0 million]. The amount of deferred tax income attributable to the reversal of temporary differences, including valuation allowances, is €5.7 million [2019: €1.2 million].

The SGL Carbon's reported tax expense differs from the SGL Carbon's anticipated tax expense [calculated on the basis of an expected tax rate of 29.8%] as follows:

€m	2020	2019
Result from continuing operations before income taxes	-123.1	-73.2
Expected tax expense/income at 29.8% (2019: 29.9%)	36.7	21.8
Increase/decrease in income tax charge from:		
Income adjustments	-3.4	-4.1
Change in expected tax rate	-8.9	-4.0
Changes in valuation allowances/recognition adjustments	-38.2	-35.4
Tax effect on investments accounted for At-Equity	3.3	4.5
Tax free income	0.4	0.5
Tax rate changes	-0.8	1.7
Tax from prior periods	1.6	-2.1
Other	2.3	0.9
Effective tax expense	-7.0	-16.2

The income adjustments relate primarily to non-deductible operating expenses and adjustments for the purpose of calculating German trade tax. The reduction to reflect the differing tax rate primarily takes account of the effects of withholding taxes and local taxes as well as taxation differences between Germany and other countries as a result of varying income tax rates. The changes in valuation allowances/recognition adjustments take into account the changes from unrecognized deferred tax assets after the assessment of their future usability.

During the reporting year, the actual tax expense was reduced by €4.8 million (2019: €2.1 million) million by taking into account previously unrecognized tax losses.

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 are applied when there is uncertainty over income tax treatments. Recognition and measurement require estimates and assumptions, e. g., whether an assessment is performed separately or together with other uncertainties, whether a probable amount or expected value is used for the uncertainty and whether there have been changes compared with the previous period. The risk of detection is irrelevant with regard to the recognition of uncertain balance sheet items. Recognition assumes that the taxation authorities will examine the matter in question and will have full knowledge of all relevant information. There were no significant effects on the consolidated financial statements.

12. Earnings per share

Earnings per share are calculated by dividing the net result for the year attributable to the shareholders of SGL Carbon by the average number of outstanding shares during the reporting year. The calculation of diluted earnings per share assumes that outstanding debt securities (convertible bonds) will be converted to shares. No dilutive effect on earnings per share resulted from taking into account the additional shares from the convertible bonds since the profit or loss for the period is adjusted for the interest expense (interest payments and non-cash imputed interest cost) for the convertible bonds and recognized in the net financing result. In the future, these instruments may become fully dilutive. The table below details the calculation of earnings per share for fiscal years 2020 and 2019:

Reconciliation of basic and diluted earnings per share

€m	Overall potentially dilutive financial instruments 2020	Dilutive financial instruments used for the calculation 2020	Share of net result attributable to the shareholders of the parent company 2020	Share of net result attributable to the shareholders of the parent company 2019
Numerator for basic earnings per share (share of net result attributable to the shareholders of the parent company)	-132.2	-132.9	-132.2	-90.0
plus: increase of the income by the interest costs of the convertible bonds	5.9			
Numerator for diluted earnings	-126.3	-132.9	-132.2	-90.0
Number of shares				
Denominator for basic earnings per share (weighted average number of shares)	122,270,977	122,270,977	122,270,977	122,270,977
Potentially dilutive securities (weighted average, in each case)				
Convertible bond 2018/2023 (see Note 24)	12,233,143			
Denominator for potentially diluted earnings per share	134,504,120	122,270,977	122,270,977	122,270,977
Thereof to be included for dilution (adjusted weighted average)		122,270,977	122,270,977	122,270,977
Basic earnings per share (€)		-1.09	-1.08	-0.74
Diluted earnings per share (€)		-1.09	-1.08	-0.74

13. Intangible assets

€m	Industrial rights, software and similar rights	Customer relationships	Capitalized development costs	Goodwill	Total
Historical costs					
Balance as of Jan. 1, 20	69.4	52.7	18.4	67.3	207.8
Foreign currency translation	-0.7	0.0	0.0	-1.5	-2.2
Reclassifications	0.2	0.0	0.0	0.0	0.2
Additions	1.5	0.0	0.0	0.0	1.5
Disposals	0.0	0.0	0.0	0.0	0.0
Balance as of Dec. 31, 20	70.4	52.7	18.4	65.8	207.3
Accumulated amortization/Impairment losses					
Balance as of Jan. 1, 20	56.2	23.1	16.2	25.6	121.1
Foreign currency translation	-0.7	0.0	0.0	0.0	-0.7
Additions	3.6	9.9	0.4	0.0	13.9
Impairment losses ¹⁾	0.1	0.0	0.0	19.5	19.6
Balance as of Dec. 31, 20	59.2	33.0	16.6	45.1	153.9
Net carrying amount as of Dec. 31, 20	11.2	19.7	1.8	20.7	53.4
Historical costs					
Balance as of Jan. 1, 19	65.8	52.7	18.4	66.9	203.8
Foreign currency translation	0.1	0.0	0.0	0.4	0.5
Reclassifications	0.2	0.0	0.0	0.0	0.2
Additions	4.3	0.0	0.0	0.0	4.3
Disposals	-1.0	0.0	0.0	0.0	-1.0
Balance as of Dec 31, 19	69.4	52.7	18.4	67.3	207.8
Accumulated amortization/Impairment losses					
Balance as of Jan. 1, 19	52.4	13.2	14.8	25.6	106.0
Additions	2.0	9.9	0.7	0.0	12.6
Impairment losses	2.4	0.0	0.7	0.0	3.1
Disposals	-0.6	0.0	0.0	0.0	-0.6
Balance as of Dec 31, 19	56.2	23.1	16.2	25.6	121.1
Net carrying amount as of Dec. 31, 19	13.2	29.6	2.2	41.7	86.7

¹⁾ Refer to Note 9

Industrial rights, software and similar rights mainly comprise purchased and internally developed IT software.

The following table shows the most significant assumptions used to determine the value in use in the impairment test as of October 1 [or, for Composites DE, already as of September 30, 2019, see associated explanations in [Note 9](#)] of CGUs to which goodwill has been allocated:

€m	Recognized goodwill	Discount rate before tax	Long-term growth rate
Oct. 01, 20			
Graphite Specialties	19.5	11.0%	1.0%
Process Technology	1.9	10.6%	1.0%
Composites DE ¹⁾	0.0	9.6%	1.0%
Sep. 30/Oct. 01, 19			
Graphite Specialties	20.8	10.9%	1.0%
Process Technology	1.9	10.7%	1.0%
Composites DE	19.5	8.1%	1.0%

¹⁾ Corresponds to the net carrying amount after impairment test

Within the context of the annual impairment test as of October 1, 2020, goodwill recognized for the Composites DE CGU in the amount of €19.5 million was fully written down. For further information, please refer to [Note 9](#). No requirement to recognize an impairment loss was identified for the remaining two CGUs analyzed in fiscal year 2020, i.e. the CGUs' recoverable amount determined on the basis of the value in use was estimated to be higher than their carrying amount.

The value in use is mainly determined on the basis of the terminal value, which is especially sensitive to changes in the above-mentioned assumptions regarding level of sales and return on sales, long-term growth rates, and discount rates. The discount factors reflect the current market assessment of the specific risks of each individual CGU and are based on the weighted average cost of capital of the CGU. Graphite Specialties (reporting segment GMS) has the highest recognized goodwill. While the recoverable amount (value-in-use) of Graphite Specialties currently exceeds its carrying amount considerably, this excess would be reduced to zero in case of a combination of a change in the discount rate (plus 0.5%-points) and a simultaneous reduction of the excess cash flows in the terminal value by 9% points.

14. Property, plant and equipment

€m	Land, land rights and buildings	Plant and machinery	Office furniture and equipment	Assets under construction	Investment property	Total
Historical costs						
Balance as of Jan. 1, 20	535.1	1,203.9	71.5	70.1	19.8	1,900.4
Foreign currency translation	-18.0	-36.7	-1.1	-1.0	0.0	-56.8
Reclassifications	8.9	48.4	1.1	-58.6	0.0	-0.2
Additions	7.4	16.0	1.5	28.8	0.6	54.3
Additions to right-of-use assets	1.5	2.7	2.1	0.0	0.0	6.3
Disposals	-2.1	-3.5	-1.1	0.0	-14.9	-21.6
Balance as of Dec. 31, 20	532.8	1,230.8	74.0	39.3	5.5	1,882.4
Accumulated depreciation/Impairment losses						
Balance as of Jan. 1, 20	273.3	876.6	58.9	13.5	8.5	1,230.8
Foreign currency translation	-6.2	-22.5	-0.8	0.0	0.0	-29.5
Reclassifications	0.0	13.3	0.0	-13.3	0.0	0.0
Additions	15.9	48.0	5.6	0.1	0.6	70.2
Impairment losses ¹⁾	33.3	53.1	0.5	0.0	0.0	86.9
Disposals	-0.8	-3.3	-1.0	0.0	-9.2	-14.3
Balance as of Dec. 31, 20	315.5	965.2	63.2	0.3	-0.1	1,344.1
Net carrying amount as of Dec. 31, 20	217.3	265.6	10.8	39.0	5.6	538.3
Historical costs						
Balance as of Jan. 1, 19	483.4	1,139.8	63.4	58.5	19.8	1,764.9
Recognition of right-of-use asset from initial application of IFRS 16	26.7	6.7	3.5	0.0	0.0	36.9
Balance as of Jan. 1, 19 (adjusted)	510.1	1,146.5	66.9	58.5	19.8	1,801.8
Foreign currency translation	4.4	10.9	0.3	0.2	0.0	15.8
Reclassifications	15.0	25.7	1.3	-42.2	0.0	-0.2
Additions	6.0	28.2	2.8	53.8	0.0	90.8
Additions to right-of-use assets	0.5	1.1	1.2	0.0	0.0	2.8
Disposals	-0.9	-8.5	-1.0	-0.2	0.0	-10.6
Balance as of Dec 31, 19	535.1	1,203.9	71.5	70.1	19.8	1,900.4
Accumulated depreciation/Impairment losses						
Balance as of Jan. 1, 19	246.1	783.8	51.5	0.1	7.9	1,089.4
Foreign currency translation	1.6	7.7	0.2	0.0	0.0	9.5
Additions	16.8	46.3	6.1	0.0	0.6	69.8
Impairment losses ¹⁾	9.5	46.7	2.0	13.4	0.0	71.6
Disposals	-0.7	-7.9	-0.9	0.0	0.0	-9.5
Balance as of Dec 31, 19	273.3	876.6	58.9	13.5	8.5	1,230.8
Net carrying amount as of Dec. 31, 19	261.8	327.3	12.6	56.6	11.3	669.6

¹⁾Refer to Note 9

Leases

Leases are accounted for in line with the explanations set out in [Note 2](#) Summary of significant accounting policies-Leasing.

Leases as lessee

SGL Carbon has entered into lease contracts for various land rights, buildings, plant and machinery as well as office furniture and equipment which the Company uses for its operations.

Lease contracts for properties normally have a term of between one and 15 years. The term for plant and machinery as well as office furniture and equipment normally ranges from three to ten years. SGL Carbon leases IT equipment with contractual terms of one to three (in single cases up to five) years. These lease agreements normally are either of a short-term nature and/or their underlying assets are of low value. SGL Carbon decided not to recognize right-of-use assets and lease liabilities

for these leases. Information about leases with SGL Carbon as lessee are presented in the following.

Right-of-use assets

The following table shows the carrying amounts of the recognized right-of-use assets and the changes during the reporting period and the previous year:

€m	Land, land rights and buildings	Plant and machinery	Office furniture and equipment	Total
Balance as of Jan. 1, 20	23.2	5.6	2.4	31.2
Additions to right-of-use assets	1.5	2.7	2.1	6.3
Depreciation	-3.8	-2.5	-1.9	-8.2
Disposal of right-of-use assets	-1.1	-0.2	-0.1	-1.4
Reclassification due to acquisition by purchase	-6.7			-6.7
Foreign currency translation	-0.3	-0.1	-0.1	-0.5
Balance as of Dec. 31, 20	12.8	5.5	2.4	20.7

The maturity analysis of lease liabilities is presented in [Note 24](#).

Amounts recognized in the income statement:

Lease liabilities in accordance with IFRS 16		
€m	2020	2019
Income from subleases of right-of-use assets	0.5	0.5
Expenses for short-term leases	-2.9	-3.8
Expenses for leases for low value assets	-3.6	-3.2
Depreciation of right-of-use assets	-8.2	-8.7
Interest expenses from lease liabilities	-0.8	-1.2

The cash outflows of SGL Carbon for leases amounted to a total of €22.5 million in 2020 (2019: €15.7 million). In addition, the Company reported non-cash additions to right-of-use assets and lease liabilities of €6.3 million in 2020 (2019: €2.8 million).

Leases as lessor

From the viewpoint of the lessor, all leases are classified as operating leases. This does not apply to a sublease which SGL Carbon has classified as a finance lease due to the matching maturities between head lease and sublease: This lease is recognized as a lease receivable in the amount of the net investment. Both head lease and sublease expire at the end of 2022.

Investment property

As in the prior years, SGL Carbon has pooled a former business unit's land and buildings held as investment property within a real estate company. SGL Carbon has classified this lease as an operating lease since not substantially all the risks and rewards of ownership have been transferred. The fair values of developed land and the land value of the expected development area totaled €12.2 million as of December 31, 2020 after the partial sale of land and buildings (December 31, 2019: €28.0 million, determined using an adjusted reference land value) based on an external expert opinion. The reported fair values correspond to Level 3 of the fair value hierarchy of IFRS 13.

Rental income from such land amounted to a total of €0.7 million in fiscal year 2020 (2019: €1.5 million). Expenses amounted to €1.8 million (2019: €1.7 million). Since the lease may be terminated on short notice within a few months, the lease receivable to be received after the balance sheet date has a term of less than one year due to the non-cancelable lease in the amount of €0.7 million (2019: €1.1 million).

15. Other non-current assets

This item mainly contains financial assets in the form of securities held at foreign subsidiaries to cover pension entitlements.

16. Inventories

€m	Dec. 31, 20	Dec. 31, 19
Raw materials and supplies	80.1	99.2
Work in progress	107.6	115.6
Finished goods and merchandise	59.6	91.6
Total	247.3	306.4

In fiscal year 2020, cost of sales included a utilization of inventories in the amount of €700.0 million (2019: €826.0 million), which was recognized as an expense. The total carrying amount of inventories measured at net realizable value was €7.8 million as of December 31, 2020 (December 31, 2019: €11.7 million). Write-downs of inventories in the amount of €4.5 million (2019: €2.9 million) led to an increase in the overall cost of sales recognized. Reversals of write-downs resulting from disposals in the amount of €1.9 million (2019: €1.2 million) reduced the cost of sales.

17. Trade receivables and contract assets

€m	Dec. 31, 20	Dec. 31, 19
From customers	103.1	119.2
From investments accounted for At-Equity	11.0	4.1
Trade receivables	114.1	123.3
Contract assets	68.0	85.8
Trade receivables and contract assets	182.1	209.1

Details on the extent of credit risks included in trade receivables and contract assets are set out in [Note 27](#) in the section "Credit risks."

18. Other receivables and other assets

€m	Dec. 31, 20	Dec. 31, 19
Other tax claims	5.1	9.0
Advance payments for leases and insurance premiums	5.5	7.8
Other receivables due from suppliers	3.5	4.0
Other receivables due from investments accounted for at-equity	2.4	
Receivables due from employees	2.0	1.5
Lease receivable	0.8	1.1
Income tax assets	1.2	1.1
Positive fair values of financial instruments	0.7	0.8
Other assets	7.7	6.0
Other receivables and other assets	28.9	31.3

19. Liquidity

Liquidity increased slightly compared to the prior year, despite the purchase price payment to BMW in the amount of USD 62.2 million. This is mainly due to the positive free cash flow, which furthermore includes inflows from the sale of land and buildings no longer necessary for operations, as well as a one-off payment from Showa Denko. Accordingly, the Company reports liquidity as of the balance sheet date in a total amount of €141.8 million (2019: €137.1 million), exclusively consisting of cash and cash equivalents. There were no time deposits as of year-end (December 31, 2019: €4.0 million).

The breakdown of liquidity as of December 31, 2020 was as follows: 76% in euros (December 31, 2019: 54%), 8% in Chinese renminbi (December 31, 2019: 10%), 6% in US dollars (December 31, 2019: 23%), 5% in Japanese yen (December 31, 2019: 7%), and 5% in other currencies (December 31, 2019: 6%). As in the prior year, there was no significant amount of cash on hand as of the balance sheet date.

20. Deferred taxes

As of December 31, 2020, German unrecognized domestic tax loss carryforwards amounted to €472.5 million for corporate tax (December 31, 2019: €466.3 million), €314.7 million for trade tax (December 31, 2019: €328.1 million), and €55.9 million for interest carryforwards (December 31, 2019: €63.0 million). Unrecognized usable foreign tax loss carryforwards also existed primarily in the USA, amounting to USD 481.7 million for federal tax

[December 31, 2019: USD 479.9 million], and in the UK, amounting to GBP 112.3 million [December 31, 2019: GBP 111.2 million]. Furthermore, as of December 31, 2020, there were unrecognized interest carryforwards and capital losses in the USA totaling USD 64.9 million [December 31, 2019: USD 66.5 million]. According to current legislation, tax loss carryforwards in Germany and the UK can be carried forward for an unlimited period of time. In the U.S., loss carryforwards that arose until December 31, 2017 will expire from 2022. Losses incurred in tax years ending after December 31, 2017, may be carried forward for an unlimited period.

No deferred tax assets were recognized for the following items as of December 31, 2020 or December 31, 2019 due to uncertainty regarding their usability:

€m	Dec. 31, 20	Dec. 31, 19
From recognition and measurement differences	356.3	223.7
From tax loss carry forwards and tax credits	1,716.9	1,794.4
Total	2,073.2	2,018.1

Deferred tax assets are offset against deferred tax liabilities when they refer to income taxes imposed by the same taxation authority and when there is a right to set off current tax assets against current tax liabilities. No current and non-current distinction is made in the presentation of deferred taxes in the consolidated balance sheet.

Deferred tax assets and liabilities on a gross basis are derived as follows from loss carryforwards or differences between the tax base and the IFRS financial statements. The development of deferred taxes is also shown in the following table:

€m	Deferred tax assets Dec. 31, 20	Deferred tax liabilities Dec. 31, 20	Deferred tax assets Dec. 31, 19	Deferred tax liabilities Dec. 31, 19	Income statement 2020	Equity 2020
Non-current assets	31.1	37.4	36.1	55.7	13.3	
Inventories	8.8	0.1	15.4	0.0	-6.7	
Receivables/other assets	6.4	17.8	3.2	28.9	14.3	
Provisions for pensions and similar employee benefits	129.9	53.2	124.8	54.9	6.5	0.3
Other provisions	15.4	0.3	11.3	0.5	4.3	
Liabilities/other liabilities	21.0	5.4	20.7	2.2	-2.9	
From tax loss carry forwards, interest carry forwards and tax credits	303.0	0.0	315.6	0.0	-12.6	
Gross amount	515.6	114.2	527.1	142.2	16.2	0.3
Valuation allowances	-399.5	0.0	-386.0	0.0	-13.5	
Netting	-112.4	-112.4	-140.2	-140.2	0.0	
Carrying amount	3.7	1.8	0.9	2.0		
Changes of the year recognized in equity						0.3
Deferred tax income					2.7	

SGL Carbon reports accumulated deferred tax effects of €46.3 million, gross (2019: €46.1 million, gross) on items recognized outside profit or loss, mainly from pension provisions, in equity.

In both the reporting year and the prior year, no deferred tax liabilities would result from retained earnings at foreign entities which will not be distributed in the foreseeable future, since the

subsidiaries' potential for distribution has largely been disbursed.

21. Equity

Issued capital

As of December 31, 2020, the issued capital of the parent company SGL Carbon SE amounted to €313,194,183.68 (December 31, 2019: €313,194,183.68) and was divided into 122,341,478 (December 31, 2019: 122,341,478) no-par-value ordinary bearer shares, each with a notional value of €2.56. The shares are traded on various markets in Germany (including Frankfurt am Main).

Authorized capital

Pursuant to Section 3 [6] of the Articles of Association, the Board of Management is authorized to increase the share capital, with the approval of the Supervisory Board, by up to a total of €31,319,040.00 by issuing new no-par value bearer shares on one or more occasions [Authorized Capital 2019]. Authorized Capital 2019 was created by the Annual General Meeting on May

10, 2019 and is exercisable until May 9, 2024. In principle, the shareholders will be entitled to subscription rights if the Authorized Capital 2019 is utilized. However, preemptive rights should be or may be disappplied for fractional amounts, for the benefit of holders of bonds with warrants or conversion rights or obligations issued or to be issued, shares issued in return for contributions in kind to support the acquisition of companies, parts of companies, or investments in companies, and the issuance of shares of up to 10% of the issued share capital, with the approval of the Supervisory Board, in the event of a capital increase against cash contributions.

Conditional capital

The Annual General Meeting has approved conditional capital increases in the past years to service the share-based management incentive plans (see [Note 29](#)) as well as to service convertible bonds (see [Note 24](#)).

Conditional capital as of December 31, 2020

Articles of association	Date of resolution	€/Number of shares	Capital increase via:	Disapplication of pre-emptive rights/execution of the capital increase
Section 3 [7]	April, 30, 2004	€76,202.56 = 298,126 shares	SAR-Plan ¹⁾ 2005-2009	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 [9]	May 17, 2017	€31,319,040.00 = 12,234,000 shares	To be used for the 2018 convertible bond	Share capital increase will be executed if participants make use of their subscription rights.
Section 3 [10]	May 10, 2019	€31,319,040.00 = 12,234,000 shares	To fulfill subscription rights of convertible bonds/bonds with warrants to be issued based on the enabling resolution of the general meeting dated May 10, 2019	Convertible bonds/bonds with warrants not issued as of December 31, 2020, on the basis of which a capital increase could occur
Section 3 [11]	30.04.2015	€25,600,000.00 = 10,000,000 shares	To be used for the 2015 convertible bond	Convertible bond 2015 no longer outstanding, thus conversion to shares is no longer possible
Section 3 [12]	April 29, 2009	€4,875,517.44 = 1,904,499 shares	SAR-Plan ¹⁾ 2010-2014	Share capital increase will be executed if participants make use of their subscription rights.

¹⁾ SAR Plan = Stock Appreciation Rights Plan, see Note 29

There were no changes in conditional capital during the reporting year compared to the balance on December 31, 2019.

As of December 31, 2020, 70,501 (December 31, 2019: 70,501) treasury shares were held at a carrying amount of €180,482.56 (December 31, 2019: €180,482.56).

Changes in share capital

Number of shares	2020	2019
Balance as of Jan. 1,	122,341,478	122,341,478
Balance as of Dec. 31	122,341,478	122,341,478

Disclosures on capital management

In addition to ensuring liquidity, one of the primary objectives of capital management is to optimize financing structures on a continuous basis. In order to achieve this objective, various methods are used to reduce the cost of capital and improve the

capital structure as well as to ensure effective risk management. Capital management includes both equity and debt components. Key financial figures include net financial debt, gearing ratio (net financial debt/equity), and the equity ratio. Net financial debt is defined as borrowings at their principal amount less cash, cash equivalents and time deposits. In the medium term, SGL Carbon aims to achieve a leverage ratio (net financial debt to EBITDA before non-recurring items) of ≤ 2.5 .

In 2019, the proceeds from the issue of the corporate bond were used to repay both the 2015/2020 convertible bond and the remaining loans to BMW Group.

The key capital management figures developed as follows:

€m	Dec. 31, 20	Dec. 31, 19
Net financial debt	286.5	288.5
Equity attributable to the shareholders of the parent company	220.7	418.6
Equity ratio	17.5%	27.8%
Leverage ratio	2.30	2.40

SGL Carbon pursues active debt management as one of its capital management tools. The SGL Group is under an obligation to comply with certain covenants with respect to its lenders and bondholders. Adherence to these covenants is monitored continuously. In addition, financial risks are continuously monitored and controlled using certain indicators and regular internal reports as part of internal risk management. This includes, among other things, the internal financing framework for subsidiaries and its utilization, monitoring the hedged currency exposure, the change in actual cash flows, the change in the market values of the derivatives portfolio and the maintaining and utilization of guarantee credit lines.

Since 2004, SGL Carbon has commissioned rating agencies Moody's and Standard & Poor's (S&P) to prepare an issuer rating, which supports both private and institutional investors in evaluating SGL Carbon's credit quality. At present, SGL Carbon has ratings of "Caa1" from Moody's and "CCC+" from Standard & Poor's.

Change in control agreement

As of December 31, 2020, the Company had one convertible bond outstanding, maturing in 2023. The convertible bond entitles the bondholders to repayment of their outstanding notes at the principal amount in the event of a change in control (plus

any interest accrued up to this date), provided the bondholders declare such intention prior to or on the reference date to be determined by the Company; such reference date may not be fewer than 40 or more than 60 calendar days after the change in control. In addition, the note could be converted into shares up to the reference date, which results in a better conversion ratio for bondholders based on the staggered conversion price with respect to the residual terms to maturity of the convertible bond in question. A change in control exists for the convertible bond 2023 if one or more individuals acquires control over the Company, with control being direct or indirect ownership of more than 30% of the voting shares. In addition, as regards the convertible bond, maturing in 2023, in the case of a public acquisition offer the improved conversion ratio already applies if the acceptance rate for the acquisition offer exceeds the control threshold of 30% of voting shares at the end of the acceptance period, any minimum acceptance threshold for the offer in excess of this amount has also been achieved on this date and if there are also no further offer conditions open (with the exception of conditions which can legally occur after the expiration of the acceptance period).

The corporate bond issued by the Company in the amount of €250 million and maturing in 2024 entitles investors to demand early repayment of their notes in return for payment of 101% of the principal amount (including a potential tax deduction from this early repayment amount) as well as of the interest accrued until the repayment date when (a) an individual or entity (with the exception of Ms. Klatten, BMW AG and persons or entities attributable to them) directly or indirectly obtains more than 35% of the voting shares of SGL Carbon SE, (b) all or substantially all of the assets of SGL Carbon SE and its Group companies are transferred to an individual or entity (with the exception of Ms. Klatten, BMW AG and persons or entities attributable to them), or (c) the share of SGL Carbon SE are no longer listed at the Frankfurt Stock Exchange or another European regulated market.

Other

In accordance with IFRS, it has to be assessed whether an entity is required to be included in consolidation in case of a parent-subsidiary relationship also on the level of the potential subsidiary. The assessment of consolidation in accordance with IFRS 10 is based on a consistent consolidation model, the "control concept", for all companies, regardless of whether control exists due to regulations under corporate law or contractual arrangements or whether it is based on economic sub-

stance. Accordingly, the concept has to be applied also for parent-subsidiary relationships that are based on voting rights as well as for relationships that are substantiated by contractual arrangements. (please also refer to [Note 2](#) Consolidation principles). On the basis of these principles, SGL Carbon regularly assesses whether SGL Carbon SE is controlled by another parent company. SGL Carbon currently does not have any information indicating that there is a parent-subsidiary relationship with a shareholder as the parent company and SGL Carbon SE as subsidiary. SGL Carbon does not have any information indicating that voting rights are exercised jointly by groups of shareholders or exercised in a concerted effort. Therefore, SGL Carbon SE prepares consolidated financial statements as the parent company of the SGL Carbon Group.

In 2020, SGL Carbon SE, the parent company of SGL Carbon, reported a net loss for the year of €65.6 million in accordance with the German Commercial Code (HGB). Taking into account the loss brought forward in the amount of €1,042.9 million, the accumulated loss totaled €1,108.5 million. In accordance with the German Stock Corporation Act, dividends may only be paid out of the accumulated net profit reported by SGL Carbon SE in its annual financial statements prepared pursuant to the provisions of the German Commercial Code (HGB).

22.Provisions for pensions and similar employee benefits

The employees of SGL Carbon worldwide benefit from various pension plans that provide retirement benefits for employees and their surviving dependents. These benefits are granted in accordance with the specific situations in the various countries. Some of the arrangements are linked to the level of employee remuneration, whereas others are based on fixed amounts that are based on employee ranking in terms of both salary classification and position within the Company hierarchy. Some arrangements also provide for future increases based on an inflation index.

Germany

The various pension arrangements for the employees of SGL Carbon in Germany are pooled in the legally independent pension fund for employees of Hoechst Group VVaG. In case of defined contribution plans for basic pension plans in relation to employees below the income threshold for contribution assessment, the Company pays contributions to pension insurance providers on the basis of statutory or contractual requirements.

The Company generally has no further obligations other than to pay the contributions. The Hoechst VVaG pension fund (Penka I) is a defined benefit multi-employer plan in Germany. There is insufficient information available about this pension plan to allow SGL Carbon to classify it as a defined benefit plan because the plan assets cannot be allocated among the participating companies. The pension fund benefits are funded based on the actuarial equivalence principle (Bedarfsdeckungsverfahren). Accordingly, the employer contributions may fluctuate depending on the amount of capital gains of the fund. The contributions made by SGL Carbon to the pension fund (Penka I) in 2020 amounted to 600% of the employee contributions. Effective April 1, 2009, the pension plan was closed to new beneficiaries and changed from a defined benefit plan to a defined contribution plan. The employer contributions remained constant at 230% of the employee contributions. All obligations were fulfilled by making contribution payments to Höchster Pensionskasse VVaG (Penka II). In addition, there is Altersversorgungplus (AV-plus) in Germany. The employee contributes 2.0% from pensionable gross remuneration as deferred compensation to AV-plus, while the employer contributes twice that amount in the form of a direct pension commitment which is covered by assets held in a trust vehicle (Contractual Trust Arrangement, CTA). Employees may contribute an additional amount of 1.0% to Penka, in which case the matching employer's contribution to the direct pension commitment amounts to 100% of the employee's additional contribution. The employee acquires a direct entitlement to benefits from the pension fund upon making his contributions to the pension fund. The employer's payments under the direct pension commitment are subject to a guaranteed minimum return of 2.25% p. a. If an insured event occurs, any benefit payments (one-off disbursement or payment in form of an annuity) are determined based on the higher of guaranteed minimum return or the current individual value of assets. Assets are invested hitherto in a European equities fund (30%) and in a European fixed-income fund (70%) via an external investment company to cover the entitlements under AVplus. Going forward, assets will be invested via an external investment company in accordance with the allocation of the ZVplus (see below).

The direct pension commitment for the defined benefit plan for the senior management level (with income above the threshold for a contribution assessment as determined by the German government pension insurance plan (Deutsche Rentenversicherung) was closed to participants as of December 31, 2014 and was replaced by a defined contribution plan (ZVplus). The entitlements earned by the participants have been frozen and are no longer subject to indexation until benefits commence. Even if employees may no longer earn entitlements from legacy commitments, the Company is still exposed to actuarial risks such

as longevity and pension indexation. In relation to the new defined contribution plan, the Company grants contributions at a defined rate based on pensionable income. The contributions are subject to a minimum interest rate, which is the maximum rate for life insurance policies plus one percentage point (1.9% p.a.). In addition, the amounts are contributed as assets to a trust vehicle (Contractual Trust Arrangement, CTA). If an insured event occurs, any benefit payments (one-off disbursement or payment in form of an annuity) are determined based on the higher of guaranteed minimum return or the current individual value of assets. Assets are invested in a European small cap equities fund (8.4%), in a European equities fund (13.4%), in an international equities fund (35.5%), and in a European fixed-income fund (42.7%) via an external investment company to cover the entitlements under ZVplus. In addition, senior management is able to contribute short- and/or long-term incentives into ZVplus.

USA

The North American subsidiaries have pension plans which are largely covered by pension funds. The effective funding ratio for the U.S. pension plan as of December 31, 2020, amounts to 74.1% (December 31, 2019: 78.2%). This plan is subject to the legal and regulatory framework of the U.S. Employee Retirement Income Security Act (ERISA). In accordance with this framework, defined benefit plans have to ensure a minimum funding level in order to avoid a reduction of benefit payments. The current funding ratio pursuant to ERISA does not result in any obligations to pay further contributions. In addition, post-employment healthcare plans and an additional pension plan for senior managers, both of which are unfunded, exist in the USA.

In the U.S. pension fund, the plan assets are invested solely for the purpose of providing future pension benefits to the beneficiaries and minimizing the costs of administering the assets. SGL Carbon regularly reviews the assumptions on the expected return on plan assets of the North American, fund-financed pension plan. As part of the review, independent actuaries calculate a range for expected long-term returns on total plan assets. Net interest is determined based on plan assets measured using the discount interest rate at the end of the previous year.

In 2020, the effective return on plan assets was 9.4% (2019: 19.0%) in the U.S., which is above the expected interest based on the discount rate of 3.2% as of December 31, 2019.

The investment policy of SGL Carbon is geared more heavily toward fixed-income bonds and bank balances as compared to

assets from growth-oriented equities and interests in companies. As of December 31, 2020, 59.8% of the plan assets in the USA were invested in fixed-interest securities (December 31, 2019: 46.0%), 27.8% in equities and interests in companies (December 31, 2019: 40.7%), 7.7% in real estate (December 31, 2019: 8.7%), 3.5% in hedge funds (December 31, 2019: 3.8%), and 1.2% in bank deposits (December 31, 2019: 0.8%).

The future benefit obligations in relation to healthcare plans are calculated using actuarial methods based on prudent estimates of the relevant parameters. The calculation parameters may be influenced to a significant degree by the assumptions with respect to the increase in costs within the healthcare sector. In the year under review, the assumed rates of increase for medical costs (first/last/year) amounted to (6.19%/4.5%/2027+) for beneficiaries of less than 65 years of age and (6.96%/4.5%/2027+) for beneficiaries of more than 65 years of age. The assumed rates for 2019 were (6.47%/4.5%/2027) and (7.36%/4.5%/2027), respectively. An increase or decrease in the assumed growth rate for healthcare costs of 1 percentage point would have led to an increase (decline) in the present value of the defined benefit obligation of €0.1 million (minus €0.1 million) and an increase (decline) in the service and interest cost of €0.0 million (€0.0 million) as of the end of fiscal year 2020.

Actuarial assumptions

In addition to biometrical bases for calculation and the current long-term market interest rate, this method particularly takes into account assumptions with respect to future salary and pension increases.

The following parameters are applied in Germany and the USA, the countries with the most significant post-employment benefit obligations:

	German plans		US plans	
	2020	2019	2020	2019
Discount rate as of Dec. 31	0.60%	1.10%	2.57%	3.20%
Projected salary increase as of Dec. 31	2.25%	2.25%	3.00%	3.00%
Projected pension increase as of Dec. 31	1.50%	1.50%		
Expected return on plan assets in fiscal year	0.60%	1.10%	2.57%	3.20%
Duration (years)	17.0	17.1	15.2	14.9

The change in pension obligations relating to direct commitments and post-employment healthcare obligations, the change in plan assets and the financing status of the pension plans are described in the following table.

The funded status for 2020 was as follows:

€m	Germany 2020	USA 2020	Other 2020	Total 2020
Present value of the defined benefit obligation at beginning of year	318.8	114.1	11.5	444.4
Service cost	4.8	3.0	0.3	8.1
Interest cost	3.5	3.5	0.1	7.1
Actuarial gains [-]/losses [+]	25.5	9.1	0.5	35.1
Benefits paid	-9.7	-4.9	-1.1	-15.7
Other changes	0.4	0.1	0.0	0.5
Currency differences	0.0	-9.7	0.0	-9.7
Present value of the defined benefit obligation at end of year¹⁾	343.3	115.2	11.3	469.8
Fair value of plan assets at beginning of year	55.5	73.3	0.9	129.7
Actual return on plan assets	2.7	6.6	0.0	9.3
Employer contributions	4.1	1.5	1.4	7.0
Employee contributions	0.3	0.1	0.0	0.4
Benefits paid	-1.2	-4.9	-0.8	-6.9
Currency differences	0.0	-6.3	0.0	-6.3
Fair value of plan assets at end of year²⁾	61.4	70.3	1.5	133.2
Funded status as of Dec. 31	281.9	44.9	9.8	336.6
Amount recognized	281.9	44.9	9.8	336.6
Termination benefits		0.5	3.0	3.5
Provisions for pensions and similar employee benefits	281.9	45.4	12.8	340.1

¹⁾ Of which €5.9 million relate to post-retirement health care benefits

²⁾ This item also includes assets of €4.9 million to cover pension entitlements recognized as other non-current assets

The funded status for 2019 was as follows:

€m	Germany 2019	USA 2019	Other 2019	Total 2019
Present value of the defined benefit obligation at beginning of year	291.1	98.2	11.2	400.5
Service cost	4.5	2.4	0.2	7.1
Interest cost	5.5	4.1	0.2	9.8
Actuarial gains [–]/losses [–]	25.7	12.0	2.3	40.0
Benefits paid	–9.8	–4.7	–1.1	–15.6
Plan amendments	1.0	0.0	0.0	1.0
Other changes	0.7	0.1	–1.3	–0.5
Currency differences		2.0	0.0	2.0
Present value of the defined benefit obligation at end of year¹⁾	318.8	114.1	11.5	444.4
Fair value of plan assets at beginning of year	48.7	60.8	0.8	110.3
Actual return on plan assets	4.0	11.8	0.0	15.8
Employer contributions	3.3	4.2	0.6	8.1
Employee contributions	0.7	0.1	0.0	0.8
Benefits paid	–1.2	–4.7	–0.6	–6.5
Currency differences		1.2	0.0	1.2
Fair value of plan assets at end of year²⁾	55.5	73.3	0.9	129.7
Funded status as of Dec. 31	263.3	40.8	10.6	314.7
Amount recognized	263.3	40.8	10.6	314.7
Termination benefits		0.8	3.2	4.0
Provisions for pensions and similar employee benefits	263.3	41.5	13.9	318.7

¹⁾ Of which €6.3 million relate to post-retirement health care benefits

²⁾ This item also includes assets of €4.9 million to cover pension entitlements recognized as other non-current assets

The consolidated statement of comprehensive income includes the following amounts:

€m	Germany 2020	USA 2020	Other 2020	Total 2020	Total 2019
Actuarial gains [–]/losses [–] on pensions	–25.5	–9.1	–0.5	–35.1	–40.0
Actual return on plan assets	2.7	6.6	0.0	9.3	15.8
Less expected return on plan assets	–0.9	–2.3	0.0	–3.2	–3.5
Currency effects	0.0	–0.5	0.0	–0.5	–0.1
Share of investments accounted for at-equity in other comprehensive income	–0.4	0.0	0.0	–0.4	0.0
Gains [–]/losses [–] for the reporting year (gross) recognized in equity	–24.1	–5.3	–0.5	–29.9	–27.8
Tax effect	7.0	1.1	0.2	8.3	7.8
Valuation allowances on deferred taxes	–6.8	–1.1	–0.1	–8.0	–7.2
Gains [–]/losses [–] for the reporting year (net) recognized in equity	–23.9	–5.3	–0.4	–29.6	–27.2

The cumulative net amount of actuarial losses recognized in equity [accumulated profit/loss] was €267.5 million (2019: €239.9 million).

In fiscal year 2020, the following developments influenced the present value of the defined benefit obligation: an actuarial loss in the amount of €37.0 million resulting from the reduction of the discount factor used for pension plans (2019: actuarial loss in the amount of €55.7 million resulting from the reduction

of the discount factor used for pension plans and an actuarial gain of €16.1 million from the reduction of the projected pension increase for German plans from 1.9% to 1.5%), an increase by €1.2 million due to taking into account new mortality tables in the USA (2019: €0.7 million), as well as an increase by €1.8 million (2019: reduction by €1.1 million) on account of experience adjustments arising from differences between actuarial assumptions and actual outcome. A change in the discount factor, the salary trend, and the return on plan assets of plus 0.5 percentage points/minus 0.5 percentage points, respectively, would lead to a change in the present value of the defined benefit obligation of minus 7.44%/plus 8.57% [discount factor] and plus 4.81%/minus 4.5% [projected pension increase]. Pension provisions with a maturity of less than one year amounted to €14.9 million (December 31, 2019: €13.8 million).

SGL Carbon has pension and healthcare obligations in the amount of €137.8 million (December 31, 2019: €126.3 million) arising from fund-financed pension plans. Pension obligations arising from non-fund-financed pension plans amounted to

€m	Germany 2020	USA 2020	Other 2020	Total 2020	Total 2019
Current service costs	4.8	3.0	0.3	8.1	7.1
Plan amendments	0.0	0.0	0.0	0.0	1.0
Service cost	4.8	3.0	0.3	8.1	8.1
Interest cost	3.5	3.5	0.1	7.1	9.8
Expected return on plan assets	-0.9	-2.1	0.0	-3.0	-3.4
Net interest expense	2.6	1.4	0.1	4.1	6.4
Pension expenses for defined benefit plans	7.4	4.4	0.4	12.2	14.5
Pension expenses for defined contribution plans	6.4	1.7	2.1	10.2	10.7
Pension expenses	13.8	6.1	2.5	22.4	25.2

Contributions to state plans of SGL Carbon amounted to €21.2 million in 2020 (December 31, 2019: €22.3 million). Employer contributions to plan assets and reinsurance policies in 2021 are estimated at €6.8 million (actual amount for 2019: €5.0 million). As of December 31, 2020, the anticipated future pension benefit payments by SGL Carbon to its former employees or their surviving dependents were as follows:

€332.0 million (December 31, 2019: €318.1 million). The actual return on plan assets in 2020 amounted to a total of €9.3 million (2019: €15.8 million).

To cover the pension obligations to members of the Board of Management, the Company has entered into reinsurance policies with three large insurance companies. As of December 31, 2020, the asset value included in the pension provisions totaled €29.6 million (December 31, 2019: €29.6 million). The expected return corresponds to the discount rate for the pension obligations. In fiscal year 2020, one-time payments totaling €0.5 million were made to reinsurers (2019: €0.4 million). The benefits under the insurance policies have been pledged to the relevant members of the Board of Management. The pension expense for active members of the Board of Management is detailed in [Note 26](#).

The breakdown of pension expenses for 2020 and 2019 is as follows:

Pension payments to employees

Year	€m
2020	15.7
Due 2021	14.9
Due 2022	14.9
Due 2023	15.5
Due 2024	15.8
Due 2025	16.3
Due 2026-2030	95.4

23. Other provisions

€m	Taxes	Personnel	Warranties, price reductions and guarantees	Restructuring	Other	Total
Balance as of Jan. 1, 20	2.2	40.6	5.8	32.0	17.9	98.5
Utilizations	-2.1	-22.6	-2.0	-2.5	-6.7	-35.9
Releases	-0.3	-2.1	-1.0	-0.5	-0.3	-4.2
Additions	0.5	13.0	2.0	24.7	9.7	49.9
Other changes/exchange differences	-0.1	-0.2	-0.2	-0.2	-0.8	-1.5
Balance as of Dec. 31, 20	0.2	28.7	4.6	53.5	19.8	106.8
<i>thereof with a maturity of up to one year</i>	<i>0.2</i>	<i>22.7</i>	<i>4.5</i>	<i>23.8</i>	<i>18.9</i>	<i>70.1</i>
<i>thereof with a maturity of more than one year</i>	<i>-</i>	<i>6.0</i>	<i>0.1</i>	<i>29.7</i>	<i>0.9</i>	<i>36.7</i>

Provisions for personnel expenses mainly comprise provisions for variable bonuses of €6.4 million (December 31, 2019: €13.4 million), provisions for anniversary benefits of €5.3 million (December 31, 2019: €5.2 million), and provisions for outstanding vacation and accumulated time credits of €9.7 million (December 31, 2019: €12.9 million).

In addition to warranty provisions, warranties, price reductions and guarantees include provisions for price reduction risks including bonuses, volume discounts, and other reductions in

price. The increase in provisions for restructuring in the amount of €24.7 million mainly refers to the ongoing restructuring program. Moreover, the items include provisions for clean-up work and for dismantling costs.

The item "Other" includes provisions for outstanding invoices in the amount of €5.7 million (December 31, 2019: €5.7 million). In addition, other provisions consist of various individual items of minor value from our 48 (December 31, 2019: 48) fully consolidated companies.

24.Liabilities

€m	Dec. 31, 20	Remaining term to maturity > 1 year	Dec. 31, 19	Remaining term to maturity > 1 year
Interest-bearing loans				
Corporate bond	250.0	250.0	250.0	250.0
<i>Nominal value of convertible bonds</i>	<i>159.3</i>		<i>159.3</i>	
<i>Less IFRS equity component</i>	<i>-8.0</i>		<i>-10.7</i>	
Convertible bonds	151.3	151.3	148.6	148.6
Bank loans, overdrafts and other financial liabilities	19.0	15.3	16.3	13.1
Refinancing costs	-5.7	-5.7	-7.3	-7.3
	414.6	410.9	407.6	404.4
Trade payables	77.6	0.0	108.7	0.0
Other financial liabilities				
Lease liabilities	37.9	29.8	48.9	34.2
Miscellaneous other financial liabilities	4.6	0.0	58.7	0.0
	42.5	29.8	107.6	34.2
Income tax liabilities	10.7	0.0	7.9	0.0
Miscellaneous other liabilities	31.8	4.6	24.9	5.3
Other liabilities	85.0	34.4	140.4	39.5
Total	577.2	445.3	656.7	443.9

Interest-bearing loans

Corporate bond

In April 2019, SGL Carbon SE issued a senior secured corporate bond. The bond, which has a nominal value of €250.0 million, was issued in denominations of €100,000. The coupon amounts to 4.625%, payable semiannually.

The corporate bond has an original term of five years and five months; its final maturity is September 2024. It has to be redeemed at 100% of the nominal amount. The terms of the corporate bond include normal market provisions with regard to financial covenants and financial restrictions. The corporate bond is admitted to trading in the Open Market of the Frankfurt Stock Exchange.

As of December 31, 2020, the market value of the listed corporate bond was €236.8 million [December 31, 2019: €245.7 million].

Convertible bonds

In September 2018, SGL Carbon SE issued an unsubordinated, unsecured convertible bond. The total nominal amount of the

convertible bond is €159.3 million. The convertible bond was issued in a denomination of €100,000. The coupon amounts to 3.00%, payable semi-annually.

The corporate bond has an original term of five years; its final maturity is September 2023. It has to be redeemed at 100% of the nominal amount.

The terms of the convertible bond provide for protection against dilution for investors. This ensures that the conversion price is automatically adjusted in the event of a rights issue or if dividends are paid by the Company. The adjusted conversion price reflects the dilutive effect per no-par-value share.

The initial conversion price was set at €13.0220, representing a premium of 30% on the reference price of €10.0169. Based on the current conversion price, full conversion would result in the issue of 12.2 million shares. The fair value of the share conversion rights was recognized in capital reserves at the date the bond was issued and therefore deducted from the bond liability.

The conversion price of the convertible bond changed as follows:

€	Conversion price as of Dec. 31, 20	Original conversion price per share	Change
Convertible bond 2018/2023	13.02	13.02	0.00

Summary of convertible bond

€m	Volume of issue	Outstanding volume	Carrying amount as of Dec. 31, 20	Market price ¹⁾ as of Dec. 31, 20	Coupon % p.a.	Issue price
Convertible bond 2018/2023	159.3	159.3	149.5	138.3	3.000%	100.0%

¹⁾ Corresponds to level 1 of the fair value hierarchy of IFRS 13

Please see [Note 2](#) ["Hybrid Financial Instruments"] for a description of the accounting treatment for convertible bonds and their separation into an equity component and a debt component.

The weighted average cash interest rate on financial liabilities based on their nominal amounts in 2020 was 4.0% p.a. (2019: 3.8% p.a.). Including the non-cash imputed interest cost on the convertible bond, the weighted average effective interest rate for 2020 was 4.6% p. a. (December 31, 2019: 4.8% p.a.). As of the balance sheet date, bank loans, overdrafts and other financial liabilities amounted to €19.0 million (2019: €16.3 million). As in the previous year, these were subject to fixed interest and secured by a land charge.

Syndicated credit facility

The Company also has a secured syndicated credit facility totaling €175.0 million to be used for general corporate purposes. The credit facility has equal ranking with the corporate bond and was not utilized as of the reporting date. The syndicated credit facility was agreed with SGL Carbon's core banks and matures in January 2023. The syndicated credit line is available to SGL Carbon SE and SGL Carbon LLC as borrowers and may be utilized in both euros and US dollars.

The agreed credit margin varies depending on the Company's leverage. The terms of the syndicated credit line include financial covenants as regards selected financial indicators and financial restrictions.

Trade payables

Trade payables totaled €77.6 million as of December 31, 2020 (December 31, 2019: €108.7 million) and, as in fiscal year 2019, were primarily due to third parties and due for payment within one year. Trade payables include contract liabilities of €23.9 million (December 31, 2019: €15.5 million), referring to prepayments received from customers for decommissioning and disposal of waste as well as for the construction of plants for which revenue is recognized over a specific period.

Other liabilities

As of December 31, 2020, other financial liabilities include lease liabilities of €37.9 million (December 31, 2019: €48.9 million).

Miscellaneous other financial liabilities comprise interest deferrals in the amount of €4.6 million (December 31, 2019: €4.5 million) for the outstanding convertible bond and corporate bond. In the previous year, miscellaneous other financial liabilities primarily included the discounted outstanding purchase price liability for the 49% stake in SGL Composites US, which was settled as scheduled at the end of the reporting year.

Miscellaneous other liabilities totaled €31.8 million (December 31, 2019: €24.9 million) as of December 31, 2020 and mainly included liabilities for payroll and church taxes of €8.0 million (December 31, 2019: €7.9 million), social security liabilities of €0.2 million (December 31, 2019: €0.4 million), other tax liabilities of €7.3 million (December 31, 2019: €3.2 million), and deferred income of €9.4 million (December 31, 2019: €7.8 million).

The following table shows all contractually agreed upon payments as of December 31, 2020 for repayments of principal and

payment of interest on recognized financial liabilities, including derivative financial instruments.

€m	2021	2022	2023	2024	2025	More than five years
Non-derivative financial liabilities						
Corporate bond	11.6	11.6	11.6	258.7		
Convertible bonds	4.8	4.8	162.7			
Liabilities due to banks	4.3	4.2	3.6	2.5	1.8	4.3
Lease liabilities	8.1	7.4	4.2	3.3	2.7	42.9
Trade payables	77.6					
Miscellaneous other financial liabilities	4.6					
Derivative financial liabilities	-					
Total	111.0	28.0	182.1	264.5	4.5	47.2

The major change compared with the figures for the previous year results from the discounted outstanding purchase price liability of €54.2 million for the acquisition of the remaining 49% shares in SGL Composites US, which had been included in the previous year and was settled as scheduled at the end of the reporting year.

Financial liabilities were determined using undiscounted contractual cash flows for the subsequent fiscal years.

The following table shows the development of interest-bearing loans.

€m	Balance as of Jan. 1, 20	Additions	Repayments	Effect of foreign exchange rate changes	Imputed interest/ amortisation	Balance as of Dec. 31, 20
Corporate bond	250.0					250.0
Convertible bonds	159.3					159.3
Bank loans, overdrafts and other financial liabilities	16.3	6.7	-4.0	0.0		19.0
Interest-bearing loans (nominal amount)	425.6	6.7	-4.0	0.0	0.0	428.3
Remaining imputed interest for the convertible bonds	-10.7				2.7	-8.0
Refinancing costs	-7.3		-0.9		2.5	-5.7
Interest-bearing loans (carrying amount)	407.6	6.7	-4.9	0.0	5.2	414.6

25. Contingent liabilities and other financial obligations

Other financial commitments in connection with purchase orders for approved capital expenditure on property, plant and equipment amounted to €4.3 million as of December 31, 2020 (December 31, 2019: €16.2 million). Some of these capital expenditure projects extend beyond one year. The main investment projects are explained in the Group management report in the section on capital expenditure. Furthermore, there were purchase obligations for services in the amount of €5.1 million

as of December 31, 2020 (December 31, 2019: €7.0 million). There were no contingent liabilities relating to investments accounted for At-Equity or other guarantee obligations.

SGL Carbon secures the necessary raw materials and energy for its production by means of procurement agreements with key suppliers. These agreements are normally for one year, include minimum quantities to be purchased by SGL Carbon, and are fulfilled by physical delivery. The prices for the supplies are based on a base price that is adjusted for variable components.

A number of agreements to provide collateral were also signed with lenders in conjunction with the financial debt and credit lines, respectively. These agreements are restricted to share pledge agreements and/or corporate guarantees for a selected number of companies in the SGL Carbon. The shares of the following companies serve as collateral: SGL Carbon GmbH, SGL Carbon Beteiligung GmbH, SGL Technologies GmbH, SGL Composites Materials Germany GmbH, SGL Carbon GmbH (AT), SGL Composites GmbH, SGL Graphite Solutions Polska Sp. z o.o., SGL Carbon LLC. Of the liabilities to banks, a total of €19.0 million (December 31, 2019: €15.9 million) was secured by a land charge as of December 31, 2020.

Various legal disputes, legal proceedings and lawsuits are either pending or may be initiated in the future. This includes legal action arising in connection with alleged defects in SGL Carbon products, product warranties, and environmental protection issues. Tax risks may also arise as a result of the SGL Carbon group structure. Litigation is subject to considerable uncertainty; the outcome of individual cases cannot be predicted with any certainty. There is a reasonable probability that individual cases could be decided against SGL Carbon. Identifiable risks have been adequately covered by recognizing appropriate provisions.

26. Related-party transactions

Joint ventures and associates

SKion GmbH, Bad Homburg, holds a share of approximately 28.55% in SGL Carbon SE according to notifications pursuant to the German Securities Trading Act (WpHG). No transactions from the sale of goods and rendering of services were conducted with SKion GmbH. SKion GmbH holds a nominal amount of €30 million of the 2018/2023 convertible bond, and a nominal amount of €25 million of the corporate bond.

In fiscal years 2019 and 2018, SGL Carbon maintained business relations within its normal course of business with a number of joint ventures and associates related to sales revenue and allocations of general and administrative expenses. In this context, SGL Carbon buys and sells products and services at market conditions. Collateral is reported under other financial obligations (see [Note 25](#)). Please refer to [Note 7](#) for information on joint ventures and associates.

The following table presents the volume of transactions with related companies included in SGL Carbon:

2020

	Sales of goods	Sales of services	Purchases of goods	Purchases of services	Receivables as of Dec. 31	Loans as of Dec. 31	Liabilities as of Dec. 31
Joint ventures	19.4	9.3	0.0	0.0	11.0	0.0	4.3
Associates	0.0	0.2	46.4	1.0	2.6	0.0	1.1
Total	19.4	9.5	46.4	1.0	13.6	0.0	5.4

2019

	Sales of goods	Sales of services	Purchases of goods	Purchases of services	Receivables as of Dec. 31	Loans as of Dec. 31	Liabilities as of Dec. 31
Joint ventures	18.1	9.4	0.0	0.0	2.1	0.0	0.0
Associates	0.0	0.2	64.2	0.5	2.0	0.0	10.7
Total	18.1	9.6	64.2	0.5	4.1	0.0	10.7

Related persons

Related persons include members of the Board of Management and the Supervisory Board.

For fiscal 2020, the total remuneration (excluding benefit expenses) for the members of SGL Carbon's Board of Management active in the respective fiscal year based on the principle of allocation (Zuflussbetrachtung) amounted to €1.8 million (2019: €2.7 million). In addition, pension expenses (service cost) in the amount of €0.4 million in fiscal 2020 (2019: €0.4 million)

were taken into account for the members of the Board of Management as a remuneration component within the context of defined benefit plans. The DBO of the pension commitments for active members as of December 31, 2020 amounted to €0.2 million [December 31, 2019: €1.2 million].

Remuneration for the members of the Board of Management in fiscal 2020 amounted to a total of €3.4 million based on benefits granted [2019: €3.0 million].

The net amounts outstanding to members of the Board of Management as of December 31, 2020 in the amount of €0.5 million [December 31, 2019: €0.3 million] consisted of provisions for annual bonuses. A total of 605,763 PSUs [December 31, 2019: 586,592] from the LTI Performance Share Units [PSUs] were granted to active members of the Board of Management as of December 31, 2020. The allotment value at grant date for all outstanding LTI tranches amounted to €3.7 million as of December 31, 2020 [December 31, 2019: €5.2 million]. In the 2020 fiscal year, 356,995 new PSUs were granted to the members of the Board of Management active in 2020 from the LTI tranche 2019-2023.

Former members of the Board of Management and their surviving dependents received total compensation within the meaning of section 285 no. 9 b HGB in the amount of €2.6 million

[2019: €2.6 million]. As of December 31, 2020, the pension provisions recognized for former members of the Board of Management [defined benefit obligation, DBO] amounted to €70.9 million [December 31, 2019: €67.2 million].

The remuneration paid to members of the Supervisory Board consisted of a basic remuneration as well as additional remuneration for Board activities and amounted to a total of €0.7 million [2019: €0.6 million], including attendance fees.

In addition, employee representatives in the Supervisory Board who are employees of SGL Carbon received remuneration within the framework of their employment contracts of €365 thousand [2019: €401 thousand].

Details in relation to the remuneration system for members of the Board of Management and Supervisory Board members and the disclosure of individual levels of the remuneration can be found in the 2020 Group Management Report in the section "Remuneration Report."

No members of the Board of Management or the Supervisory Board received any loans or advances from SGL Carbon.

27. Additional disclosures on financial instruments

The following table shows the reconciliation of balance sheet items to the classes and measurement categories of financial instruments:

€m	Measurement category under IFRS 9	Net carrying amount as of Dec. 31, 20	Net carrying amount as of Dec. 31, 19
Financial assets			
Cash and cash equivalents	1)	141.8	133.1
Time deposits	1)	0.0	4.0
Trade receivables and contract assets	1)	178.9	207.0
Trade receivables	2)	3.2	2.1
Marketable securities and similar investments	2)	4.9	4.9
Other financial assets	1)	0.0	0.0
Derivative financial assets			
Derivatives without hedging relationship	3)	0.7	0.8
Derivatives with a hedging relationship	n.a.	-	0.0
Financial liabilities			
Corporate bond	4)	250.0	250.0
Convertible bonds	4)	151.3	148.6
Bank loans, overdrafts and other financial liabilities	4)	19.0	16.3
Refinancing costs	4)	-5.7	-7.3
Lease liabilities	n.a.	37.9	48.9
Trade payables	4)	77.6	108.7
Miscellaneous other financial liabilities	4)	4.6	58.7
Derivative financial liabilities			
Derivatives without hedging relationship	5)	-	0.0
Derivatives with a hedging relationship	n.a.	-	0.0
Thereof aggregated by measurement category in accordance with IFRS 9			
1) Financial assets measured at amortized costs		320.7	344.1
2) Financial assets measured at fair value through profit and loss		8.1	7.0
3) Financial assets measured at fair value through profit and loss		0.7	0.8
4) Financial liabilities measured at amortized costs		496.8	575.0
5) Financial liabilities measured at fair value through profit and loss		-	0.0

n.a. = not applicable

The carrying amounts for cash and cash equivalents, time deposits, trade receivables as well as contract assets, and trade payables have short residual maturities and are approximately equivalent to fair value.

The carrying amounts of these financial assets, less valuation allowances recognized, approximate their fair values due to the fact that the residual maturity is largely short-term. The fair value for trade receivables intended for sale due to a factoring agreement is the nominal value less the factoring fee. This

measurement is based on unobservable market inputs and is therefore allocated to fair value hierarchy level 3. SGL Carbon uses the market price in an active market as the fair value of securities and similar cash investments. If no such market price exists, the fair value is determined using observable market data. Please refer to [Note 24](#) for disclosures on the market value of the corporate bond and the convertible bonds as of the balance sheet date.

SGL Carbon calculates the fair value of liabilities to banks, other financial liabilities, and liabilities from finance leases by discounting the estimated future cash flows using interest rates applicable to similar financial liabilities with comparable residual maturities. The fair values largely correspond to the carrying amounts.

As of December 31, 2020 and 2019, the item “Derivative financial assets” includes embedded derivatives for the contractually agreed early repayment options regarding the corporate bond. The embedded derivatives are measured using a generally accepted option pricing model. The following table shows the breakdown of the assets and liabilities measured at fair value into the three levels of the fair value hierarchy as of December 31, 2020 and 2019:

	Dec. 31, 20			
	Level 1	Level 2	Level 3	Total
Marketable securities and similar investments	4.9			4.9
Trade receivables			3.2	3.2
Derivative financial assets		0.7		0.7
Derivative financial liabilities				-

	Dec. 31, 19			
	Level 1	Level 2	Level 3	Total
Marketable securities and similar investments	4.9			4.9
Trade receivables			2.1	2.1
Derivative financial assets		0.8		0.8
Derivative financial liabilities				0.0

The following table shows the changes in level 3 trade receivables in the reporting period 2020 and 2019:

€m	2020	2019
Balance as at Jan. 1,	2.1	-
Additions	1.1	2.2
Gains/Losses recognized in profit and loss	0.0	-0.1
Balance as of Dec. 31	3.2	2.1

Net gains or losses recognized for financial instruments by measurement category in accordance with IFRS 9 were as follows:

Net gains/losses by measurement category

€m	2020	2019
Financial assets measured at amortized costs	-4.9	0.6
Financial assets measured at fair value through profit and loss	0.3	0.5
Other financial assets and financial liabilities measured as fair value through profit and loss	0.3	-2.7
Financial liabilities measured at amortized cost	0.1	-0.2

Net gains/losses for the “financial assets measured at amortized cost” measurement category largely include impairments of trade receivables as well as contract assets, reversals of valuation allowances and cash receipts with respect to trade receivables already written off, together with exchange gains/losses from foreign currency valuation.

Net gains/losses for the “financial assets at fair value through profit or loss” measurement category primarily includes results from the mark-to-market valuation. Net gains/losses for the “other financial assets and financial liabilities at fair value through profit or loss” measurement category mainly arise from the mark-to-market valuation of derivative currency instruments not subject to hedge accounting with respect to financing activities or, with respect to operating activities, for which hedge accounting has been terminated upon recognition of the hedged item in profit or loss. In economic terms, the derivative financial assets and liabilities are always based on a hedged item.

The net result of “financial liabilities measured at amortized cost” includes exchange gains/losses from foreign currency valuation.

Interest income and expense are not included in net gains and losses, as they are already recognized as described in [Note 10](#). For further information on write-downs, please refer to the overview of changes in valuation allowances for doubtful trade receivables and contract assets in [Note 27 “Credit risks”](#).

Financial instrument risks, financial risk management, and hedging

SGL Carbon monitors financial risk (liquidity risk, default risk, and market price risk) using tested control and management instruments. Group reporting enables periodic assessment, analysis, measurement, and control of financial risk by the

central Group Treasury function. These activities include all relevant Group companies.

Liquidity risk

Liquidity risk is the risk that an entity might have difficulty in meeting its payment obligations in connection with its financial liabilities. In order to ensure SGL Carbon's solvency as well as its financial flexibility at all times, SGL Carbon carries out regular liquidity planning at short intervals for the immediate future to cover day-to-day operations. This is done in addition to financial planning, which normally covers five years. For the purpose of ensuring financial stability, SGL Carbon has endeavored to put in place a balanced financing structure based on a combination of various financing components (including capital market instruments, bank loans and factoring).

In fiscal year 2020, another Group company was included in the existing factoring agreement. The volume of receivables sold increased to €27.7 million (2019: €17.1 million).

As of December 31, 2020, the Company has liquidity in a total amount of €141.8 million (December 31, 2019: €137.1 million). This amount represents a sufficient liquidity reserve for the fiscal year 2021. Please refer to [Note 24](#) for information on the maturity of financial liabilities.

Credit risk (counterparty default risk)

Credit risk (counterparty default risk) exist insofar as customers do not meet the contractually agreed obligations to pay the agreed purchase price, or do not meet them in due time.

By defining terms of payment for customers, SGL Carbon is exposed to normal market credit risks. As far as trade receivables and other financial assets are concerned, the maximum default risk is equivalent to the carrying amount as of the balance sheet date. In the past year, there were no significant occurrences of default in relation to customer receivables.

SGL Carbon has a credit management organization to manage customer credit risks. On the basis of a global guideline, the credit management organization initiates and supports all key processes, and it initiates and supports credit risk management action where required. After analyzing individual risks and country risks, SGL Carbon insists - either in whole or in part - on cash in advance, documentary collection, letters of credit, or guarantees in connection with certain customer transactions.

SGL Carbon also has trade credit insurance in place that covers most of the trade receivables due from customers. In the event of default, the financial loss is reduced by existing collateral and/or compensation payments made under the credit insurance. The compensation payments under the credit insurance normally amount to 90% of the default and therefore include a deductible of 10%. In the context of determining valuation allowances on receivables, any existing cover commitments granted by the trade credit insurance are taken into account accordingly. In order to determine credit risk, the credit management processes seek to evaluate individual customer risks which are determined by, among other things, taking into account the customer's balance sheet figures, payment experience as well as external credit rating. On the basis this evaluation, counterparty risks are classified into the respective risk classes: low, medium, and high risk.

The default risk for trade receivables as well as contract assets is broken down by risk classes as of December 31, 2020 and 2019, respectively, as follows:

Risk classes	Equivalent to S&P Rating	Carrying amount as of Dec. 31, 20	Gross carrying amount as of Dec. 31, 19
Low risk	AAA to AA-	56.6	71.1
Medium risk	A+ to BBB-	93.3	92.2
High risk	BB+ to C	35.0	49.3
Total		184.9	212.6

The loss allowances for trade receivables and contract assets are determined using a simplified approach (see the following loss allowance matrix) since they do not have any significant financing component. In this context, the customer receivables are classified on the basis of the aforementioned credit risk classes (low, medium, and high risk) and the related past due status. A default with respect to a receivable is deemed to have occurred when the contractually agreed cash flows are past due by more than 90 days or when the credit quality of the customer has deteriorated to an extent that payment may no longer be expected. The items are derecognized if it can no longer be reasonably expected that any statutory collection measures will be successful. Historical loss rates are complemented with forward-looking estimates (such as country ratings), if necessary.

SGL Carbon assumes for loss allowances for cash and cash equivalents as well as term deposits (liquidity) that credit risk has not increased significantly. Liquidity in a total amount of €141.8 million is held primarily at banks and financial institutions with a high credit quality (investment grade rating by S&P

from AAA to BBB-]. The loss allowance for liquidity is calculated based on 12-month expected losses and therefore reflects the short maturities.

The following overview includes information on default risk and the expected credit losses for trade receivables and contract assets for the counterparties as of December 31, 2020 and 2019:

Dec. 31, 20 in € million	Gross carrying amount	Loss rate [weighted average]	Impairment losses	Restricted credit rating
Not overdue	157.9	0.5%	0.8	No
1- 29 days overdue	15.9	1.9%	0.3	No
30- 60 days overdue	5.6	5.4%	0.3	Yes
61- 90 days overdue	1.2	25.0%	0.3	Yes
more than 90 days overdue	4.3	100.0%	4.3	Yes
Total	184.9		6.0	

Dec. 31, 19 in € million	Gross carrying amount	Loss rate [weighted average]	Impairment losses	Restricted credit rating
Not overdue	190.5	0.3%	0.6	No
1- 29 days overdue	12.7	1.6%	0.2	No
30- 60 days overdue	3.0	3.3%	0.1	Yes
61- 90 days overdue	1.3	15.4%	0.2	Yes
more than 90 days overdue	5.1	88.2%	4.5	Yes
Total	212.6		5.6	

The following table shows the development of loss allowances on trade receivables and contract assets:

in million €	2020	2019
Balance as of Jan. 01	5.6	5.6
Additions	1.1	0.5
Reversals	-0.4	-0.4
Utilizations	-0.3	-0.1
Balance as of Dec. 31	6.0	5.6

In fiscal year 2020, no additional loss allowances were recognized for contract assets [2019: expense of €0.2 million].

Market price risks

As an enterprise operating at an international level, SGL Carbon is exposed to market risks arising in particular from changes in currency rates, interest rates, and other market prices. These risks may result in fluctuations of earnings, equity and cash flows. The objective of risk management is to eliminate or limit these risks through appropriate measures, above all through

the use of derivative financial instruments. The use of derivative financial instruments is subject to rigorous controls based on internal policies. Derivative financial instruments are exclusively used to minimize or pass off financial risk, not for speculative purposes.

Currency risk

SGL Carbon operates on an international basis and is therefore exposed to currency risk arising from fluctuating exchange rates between various currencies. A currency risk exposure exists when fair values or future payments vary as a result of exchange-rate movements. The risk arises when transactions are denominated in a currency other than the respective Group company's functional currency. Where SGL Carbon has cash flows in a non-functional currency, it endeavors to minimize currency risks through achieving a balance between receipts and payments as a so-called natural hedge.

Currency hedges are entered into for the remaining net currency position (less natural hedging). In accordance with the internal hedging policy, SGL Carbon hedges 80% of these net currency positions, as required, within a time horizon of up to a maximum of two years. The most significant currency risks [in terms of volume] of SGL Carbon from operating transactions result from potential exchange rate changes between the US dollar and the Japanese yen. These operating transactions, however, are partially hedged against currency fluctuations through price escalation clauses. There were no hedging transactions in the portfolio as of the reporting dates of December 31, 2020 and 2019. Any material net currency risk exposures that are identified during the regular reviews of cash flows can be hedged at any time.

Since SGL Carbon only had immaterial net currency positions, the Company was not exposed to any material currency-related cash flow risks in its operating business as of the balance sheet date.

Derivative financial instruments in hedge accounting

SGL Carbon generally uses currency forwards to hedge currency risk from future net currency positions. The derivatives used are accounted for as cash flow hedges (hedge accounting). The items hedged with cash flow hedges comprise highly probable future sales revenue or purchases denominated in foreign currency. The hedges designated as cash flow hedges (recorded in the hedging reserve in equity) amount to a total of

€0.0 million as of December 31, 2020 and 2019, since there were no derivatives held in the portfolio as of the year-end 2020 and 2019.

The effectiveness of designated hedges, if any, is determined prospectively using the critical terms match method in accordance with IFRS 9. In the context of this effectiveness test method for hedging relationships, some important business parameters (also called "critical terms") of the hedged item and the hedging instrument are reviewed to assess if they

match each other. If this matching is given, an economic hedging relationship between hedged item and hedging transaction exists; therefore, the hedging relationship is deemed effective. Any ineffectiveness may occur due to an unexpected discontinuation of the hedged items, divergence of hedged item and hedging transaction in terms of time periods or a default of the counterparty.

SGL Carbon did not hold any currency forwards as of December 31, 2020 and 2019. The following tables show the results from the designated currency derivatives for the year 2019.

€m	Nominal amounts			Carrying amounts		Gains and losses recognized in other comprehensive income	Gains/losses transferred from equity [cash flow hedge] to profit and loss ¹⁾	Disclosure of the reclassified amount in profit and loss
	Purchase Dec. 31, 2019	Sale Dec. 31, 2019	Total Dec. 31, 2019	Total Dec. 31, 2019	Balance sheet disclosure of hedging instruments			
Forward contracts	-	-	-	-	-	-1.4	1.9	Sales revenue

¹⁾ Positive amounts are losses in the income statement

The following is a reconciliation of the accumulated other comprehensive income from hedging relationships (cash flow hedges):

€m	Cash flow hedge 2020	Cash flow hedge 2019
Balance as of January 1,	0.0	-0.5
Changes of the year recognized in equity	-	-1.4
Reclassifications from equity to profit and loss because the transaction originally hedged occurred	-	1.9
Balance as of December 31,	0.0	0.0

In the year under review, cash investments were made in the amount of USD 62 million to hedge the purchase price for the remaining shares in SGL Composites LLC (the carbon fiber plant of our former joint venture with BMW in Moses Lake, Washington, US), which was due and paid at the end of 2020. In fiscal 2020, hedging losses of €18.9 million (2019: hedging gains of €3.3 million) were recognized in other comprehensive income (currency translation reserve) to hedge net investments in foreign operations. No gains or losses were reclassified from the currency translation reserve to the income statement.

In accordance with IFRS 7, sensitivity analyses are required to illustrate the currency risk relating to financial instruments. The analyses show the effects of hypothetical changes in relevant risk parameters on profit or loss and equity.

The analyses include all primary financial instruments used by SGL Carbon. Specifically, these include liquidity of €18.3 million (December 31, 2019: €40.8 million), trade receivables of €27.9 million (December 31, 2019: €61.2 million), and trade payables of €46.3 million (December 31, 2019: €72.7 million). Furthermore, foreign currency effects from internal lending activities recognized in profit or loss or directly in equity are also included. It is assumed that the balance as of the reporting date is representative of the reporting period as a whole. All financial instruments not denominated in the functional currency of the respective SGL subsidiary are therefore generally considered to be exposed to currency risk. Changes in the exchange rate result in changes in fair value and impact either profit or loss or the hedging reserve as well as the total equity of SGL Carbon.

The following table provides a comparison between the amounts reported as of December 31, 2020, and December 31, 2019. The analysis is based on a hypothetical 10% increase in the value of the euro or the US dollar, respectively, against all other currencies on the balance sheet date.

EUR €m	Hypothetical exchange rate		Change in fair value/equity		Thereof: change in net profit/loss		Thereof: change in hedging reserve	
	Dec. 31, 20	Dec. 31, 19	Dec. 31, 20	Dec. 31, 19	Dec. 31, 20	Dec. 31, 19	Dec. 31, 20	Dec. 31, 19
USD	1.3498	1.2357	-11.5	-20.7	0.1	-1.4	-11.6	-19.3
PLN	5.0763	4.6844	-0.6	-0.6	0.0	-0.2	-0.6	-0.4
GBP	0.9889	0.9359	-1.2	-2.9	1.1	-0.2	-2.3	-2.7
JPN	139.1400	134.1300	-0.6	-2.3	-0.6	-2.3	0.0	0.0
Other	-	-	-0.2	1.6	-0.2	0.5	0.0	1.2

The approximate effect of a hypothetical 10% devaluation of the US dollar against all other currencies on the equity, profit or loss, or hedging reserve of SGL Carbon would be a reversal of the positive and negative signs shown above, with the amounts themselves remaining approximately the same.

Interest-rate risk

Interest-rate risk is the risk that the fair values of or future cash flows from existing or future financial liabilities may fluctuate due to changes in market interest rates.

Interest rate risks from variable-interest financing instruments do not exist as of the balance sheet dates of December 31, 2020 and 2019. As of the balance sheet date, SGL Carbon had financial liabilities in a principal amount of €428.3 million (December 31, 2019: €425.6 million). They have a fixed interest rate and are therefore not subject to interest rate risk.

Moreover, there is liquidity in a total amount of €141.8 million (2019: €137.1 million). An increase in interest rates of 100 basis points would lead to a theoretical increase in profit or loss from cash and cash equivalents of €1.4 million (2019: €1.4 million).

28.Segment reporting

The following segment information is based on the “management approach” pursuant to which segment information must be presented on the basis of the internal management reporting. The Board of Management of SGL Carbon – as chief operating decision maker (CODM) – regularly reviews this segment information in order to allocate resources to the individual segments and to assess their performance. The performance of the segments is assessed by the management based on the operating result, working capital, capital expenditure, cash generation, and capital employed. However, Group financing (including financial income and expense) as well as income

taxes are managed uniformly on an SGL Carbon-wide basis and are not allocated to the individual segments.

Segments

The operating business processes are bundled in the two business units Composites – Fibers & Materials (CFM) as well as Graphite Materials & Systems (GMS), which are also presented as reporting segments. The CFM reporting segment bundles all of the materials business based on carbon fibers. It covers the entire, integrated value-added chain, from raw materials through carbon fibers to composite materials and the components made from them.

The reporting segment GMS focuses on products made of synthetic graphite and expanded graphites for industrial applications, machine components, products for the semiconductor industry, and process technology.

In addition to the two operating reporting segments, the central research activities and the central and service functions are included in the reporting segment Corporate.

The following tables provide information on income, profit or loss, and assets and liabilities in the business units of SGL Carbon. External sales revenue was attributable almost exclusively to revenue from deliveries of products. Trading or other sales revenue was insignificant. Intersegment sales revenue was generally derived from transactions at market-based transfer prices less selling and administrative expenses. Cost-based transfer prices may be used in exceptional cases. “Corporate” supports, among other things, the other segments through the provision of services.

Capital expenditure and amortization/depreciation relates to property, plant and equipment and intangible assets (excluding goodwill). The consolidation adjustments item relates to the elimination of transactions and services between the segments.

Disclosures relating to the segments of SGL Carbon are shown below.

€m	CFM	GMS	Corporate	Consolidation	SGL Carbon
2020					
External sales revenue	391.3	495.4	32.7	0.0	919.4
Intersegment sales revenue	3.7	0.9	36.7	-41.3	0.0
Total sales revenue	395.0	496.3	69.4	-41.3	919.4
Timing of revenue recognition					
Products transferred at point in time	390.5	504.6	32.7	0.0	927.8
Products and services transferred over time	0.8	-9.2	0.0	0.0	-8.4
Total sales revenue	391.3	495.4	32.7	0.0	919.4
Sales revenue by customer industry					
Mobility	200.7	51.8	9.7	0.0	262.2
Energy	79.5	92.7		0.0	172.2
Industrial Applications	52.8	144.8	23.0	0.0	220.6
Chemicals		112.0		0.0	112.0
Digitization		94.1		0.0	94.1
Textile Fibers	58.3			0.0	58.3
Total sales revenue	391.3	495.4	32.7	0.0	919.4
Operating EBIT before non-recurring charges ¹⁾	14.2	33.1	-27.8	0.0	19.5
Operating profit/loss before non-recurring items	19.1	42.4	-11.3	0.0	50.2
Non-recurring items ²⁾	-121.8	-7.3	-14.8	0.0	-143.9
Operating profit/loss after non-recurring items	-102.7	35.1	-26.1	0.0	-93.7
Amortization/depreciation on intangible assets and property, plant and equipment	29.8	34.7	8.8	0.0	73.3
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items	48.9	77.1	-2.5	0.0	123.5
Capital expenditure ³⁾	15.6	32.9	7.3	0.0	55.8
Working capital (Dec. 31) ⁴⁾	150.6	232.7	-31.5	0.0	351.8
Capital employed (Dec. 31) ⁵⁾	428.3	495.8	75.6	0.0	999.7
Cash generation ⁶⁾	39.9	81.2	1.8	0.0	122.9
Result from investments accounted for At-Equity	11.5			0.0	11.5
Total sales revenue of investments accounted for At-Equity ⁷⁾	216.3	0.0	0.0	0.0	216.3
Return on capital employed in % (ROCE _{EBIT}) ⁸⁾	3.8	8.2			4.5

¹⁾ EBIT before non-recurring items, adjusted for positive one-off effects. These comprise income from the sale of land of €7.9 million, income resulting from the SDK agreement of €8.5 million, as well as additional none-recurring insurance income and HR-related income totaling €14.3 million

²⁾ Non-recurring items comprise impairment losses of €106.5 million (Note 9), restructuring expenses in a total amount of €27.2 million (Note 8), and the carrying forward of the purchase price allocation SGL Composites DE and US and SGL Composites AT of minus €10.2 million

³⁾ Defined as total of capital expenditure in other intangible assets and property, plant and equipment

⁴⁾ Defined as sum of inventories and trade receivables and contract asset less trade payables

⁵⁾ Defined as the sum of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital

⁶⁾ Defined as total of operating loss/profit (EBIT) before non-recurring items plus amortization of intangible assets and depreciation on property, plant and equipment plus change in working capital minus capital expenditure

⁷⁾ Aggregated, non-consolidated 100% values with third parties

⁸⁾ EBIT before non-recurring items for the last twelve months to average capital employed

Sales revenue with a customer of the CFM reporting segment amount to almost €100 million of the Group's total revenue (2019: €123 million).

€m	CFM	GMS	Corporate	Consolidation	SGL Carbon
2019					
External sales revenue	431.6	622.5	32.6	0.0	1,086.7
Intersegment sales revenue	3.9	0.7	33.9	-38.5	0.0
Total sales revenue	435.5	623.2	66.5	-38.5	1,086.7
Timing of revenue recognition					
Products transferred at point in time	427.1	632.3	32.6	0.0	1,092.0
Products and services transferred over time	4.5	-9.8	0.0	0.0	-5.3
Total sales revenue	431.6	622.5	32.6	0.0	1,086.7
Sales revenue by customer industry					
Mobility	230.2	61.5	9.0	0.0	300.7
Energy	54.4	151.7		0.0	206.1
Industrial Applications	60.3	183.0	23.6	0.0	266.9
Chemicals		134.0		0.0	134.0
Digitization		92.3		0.0	92.3
Textile Fibers	86.7			0.0	86.7
Total sales revenue	431.6	622.5	32.6	0.0	1,086.7
Operating EBIT before non-recurring charges ¹⁾	-8.0	83.4	-28.8	0.0	46.6
Operating profit/loss before non-recurring items	-8.3	85.5	-28.8	0.0	48.4
Non-recurring items ²⁾	-83.2	0.1	0.4	0.0	-82.7
Operating profit/loss after non-recurring items	-91.5	85.6	-28.4	0.0	-34.3
Amortization/depreciation on intangible assets and property, plant and equipment	33.4	28.1	10.1	0.0	71.6
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items	25.1	113.6	-18.7	0.0	120.0
Capital expenditure ³⁾	27.8	55.8	11.5	0.0	95.1
Working capital (Dec. 31) ⁴⁾	157.0	269.7	-19.9	0.0	406.8
Capital employed (Dec. 31) ⁵⁾	580.9	541.1	97.8	0.0	1,219.8
Cash generation ⁶⁾	-1.2	53.0	-14.5	0.0	37.3
Result from investments accounted for At-Equity	15.4			0.0	15.4
Total sales revenue of investments accounted for At-Equity ⁷⁾	259.4	0.0	0.0	0.0	259.4
Return on capital employed in % (ROCE _{EBIT}) ⁸⁾	-1.3	16.3			3.9

¹⁾ EBIT before non-recurring items, adjusted for positive one-off effects. These comprise none-recurring insurance income and HR-related income totaling €1.8 million

²⁾ Non-recurring items comprise the reversal of restructuring provisions of €0.7 million (Note 9), impairment losses of €74.7 million (Note 10) and the carrying forward of the purchase price allocation SGL Composites DE and US and SGL Composites AT of minus €8.7 million

³⁾ Defined as total of capital expenditure in other intangible assets and property, plant and equipment

⁴⁾ Defined as sum of inventories and trade receivables and contract asset less trade payables

⁵⁾ Defined as the sum of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital

⁶⁾ Defined as total of operating loss/profit (EBIT) before non-recurring items plus amortization of intangible assets and depreciation on property, plant and equipment plus change in working capital minus capital expenditure

⁷⁾ Aggregated, non-consolidated 100% values with third parties

⁸⁾ EBIT before non-recurring items for the last twelve months to average capital employed

The following table shows selected items by geographical region:

€m	Germany	Europe excluding Germany	USA	Asia	Other ²⁾	SGL Carbon
2020						
Sales revenue (by destination)	285.6	184.9	139.5	272.2	37.2	919.4
Sales revenue (by company headquarters)	401.1	236.5	213.8	68.0		919.4
Capital expenditure	33.0	12.7	8.0	2.1		55.8
Non-current assets ¹⁾	249.2	171.4	178.6	28.3		627.5
2019						
Sales revenue (by destination)	341.0	189.3	158.6	350.5	47.3	1,086.7
Sales revenue (by company headquarters)	431.8	313.1	268.5	73.3		1,086.7
Capital expenditure	41.7	31.4	14.6	7.4		95.1
Non-current assets ¹⁾	269.9	173.4	294.2	34.0		771.5

¹⁾ Non-current assets comprise other intangible assets, property, plant and equipment, investments accounted for At-Equity and other non-current assets (excluding financial assets)

²⁾ In particular Middle-/South America and Africa

29. Management and employee participation plans

SGL Carbon currently has three management and employee participation plans: two active plans (Short-Term Incentive Plan and Long-Term Incentive Plan) as well as the Stock Appreciation Rights Plan which is being phased out.

Short-Term Incentive Plan („STI“)

All tariff and non-tariff employees, including employees classified in one of the four internal management groups (MG1-MG4), receive an annual bonus regardless of whether or not they are covered by the collective wage agreement. The amount of the bonus is based on the achievement of short-term corporate and business unit targets. The reference figure is the amount of the individual fixed remuneration. The goal is to enable all employees to participate in the Company's short-term success and in so doing provide each employee with a strong incentive to contribute to the positive performance of the Company.

The maximum bonus potential that can be achieved therefore comprises the two following target categories of SGL Carbon and relevant business unit. The following criteria apply: sales revenue and income before taxes at SGL Carbon level, and sales revenues, operating profit (EBIT) before non-recurring

items, and average committed working capital (DWC-Days Working Capital) for the business unit.

The bonus is paid in March or April of the following year. The percentage share of the STI in the base salary for the three upper management levels is within a defined corridor and reflects an appropriate risk/reward profile per management group.

MG	Threshold	Target	Stretch
MG1	0%	40%	80%
MG2	0%	30%	60%
MG3	0%	25%	50%

The three target categories have identical weightings for the three senior management groups. The “threshold” of 0% must be exceeded in order to trigger a bonus entitlement. In addition, a stretch (200%) is defined for the financial targets to reward performance in the case of overfulfillment of planned targets.

A further harmonization of the target categories and targets of short-term incentive approaches for the employees below the SGL management levels was introduced in fiscal year 2020 at the locations outside of Germany.

Long-Term Incentive Plan ["LTI"]

The Long-Term Incentive Plan for Senior Management, i.e. the members of management levels MG 1 - 3 ["SGL Performance Share Plan" or "PSP"], is the foundation for uniform rules for the granting of remuneration components with long-term incentive effect and a balanced risk/reward profile in the form of virtual shares ["Performance Share Units" or "PSUs"].

The long-term remuneration component is based, in principle, on SGL Carbon's return on capital employed (ROCE) as the internal assessment basis. Within the framework of the PSP, the Board of Management of SGL Carbon SE may, prior to the beginning of individual plan tranches, determine that the internal assessment basis/bases for such plan tranches alternatively or cumulatively may be the ROCE applicable to individual business units of SGL Carbon or one or several other performance indicators. Furthermore, the long-term remuneration component depends on the share price performance of SGL Carbon SE stock at the end of the performance period.

The PSP is a cash-settled long-term incentive plan that does not grant a right to receive actual SGL Carbon SE shares and

provides for a payout depending on the degree of target achievement. The objective of the allocation of PSUs is to retain senior management (MG 1 - 3) and to motivate them to ensure SGL Carbon's long-term success. In addition, the share price feature is intended to harmonize the interests of senior management (MG 1 - 3) and of the shareholders in advancing the long-term added value of SGL Carbon.

Based on an allocation value to be determined by the Board of Management of SGL Carbon SE in euros as well as the average opening share price for the last 20 trading days prior to commencement of the performance period, each participant is allocated a preliminary number of Performance Share Units ("number of allocated PSUs") at the beginning of the performance period. This number of allocated PSUs is calculated after the end of the performance period based on the determined degree of target achievement (the result of the performance-related adjustment is the "final number of PSUs"). The payout amount is calculated by multiplying the final number of PSUs by the average closing share price for the last 20 trading days.

The existing plan tranches, including the relevant targets, are presented below as of December 31, 2020.

Tranche	Allocation value ¹⁾	Price ²⁾	PSU ³⁾	Performance	Fair value ⁴⁾
	€m	€	Number	0% - 150%	€m
LTI 2017-2020	4.3	8.28	516,205	27	0.5
LTI 2018-2021	4.4	11.34	391,293	0	0.0
LTI 2019-2022	4.6	7.17	645,729	0	0.0
LTI 2020-2023	4.7	4.62	1,018,311	59	2.3

¹⁾ PSU-number outstanding as at Dec. 31, 20 multiplied with price at grant of each tranche

²⁾ Fair value at grant date

³⁾ Outstanding at Dec. 31, 20

⁴⁾ PSU-number weighted with the performance and the average share price of 3.78€, calculated on the basis of the last 20 trading days prior to Dec 31, 20

Target indicators ROCE ¹⁾	Minimum	Target	Maximum
Plan 2017-2020	4.0%	6.5%	8.5%
Plan 2018-2021	6.1%	8.6%	10.6%
Plan 2019-2022	7.8%	10.3%	12.3%
Plan 2020-2023	4.9%	7.9%	9.9%

¹⁾ ROCE target adjusted by the impairment loss effects 2019 and 2020

The provisions for the existing LTI plans of the selected executives as of December 31, 2020 amount to €1.1 million (December 31, 2019: €1.5 million). In fiscal year 2020, €0.6 million were recognized as an expense (2019: income of €2.2 million).

Stock-Appreciation-Rights-Plan [SAR-Plan]

The 2010 SAR Plan came into effect on January 1, 2010. The SARs could be issued at any time during the period until the end of 2014. A maximum of 2,100,000 new shares are to be used to service the SAR Plan from 2010 onward.

SARs entitle the participants to receive variable remuneration from the Company equivalent to the difference (appreciation in price) between the SGL Carbon SE share price on the grant date

[base price] and that on the SAR exercise date [exercise price] plus any dividends paid by the Company during this period, plus the value of the subscription rights, and they entitle the participants to purchase at the exercise price the number of SGL Carbon SE shares whose market value corresponds to the appreciation in price. Each SAR entitles the participant to receive that fraction of a new SGL Carbon SE share that is calculated by dividing the appreciation value by the issue price.

SARs have a term of up to ten years and may then only be exercised during defined periods [exercise windows]. The SARs expire if they are not exercised within this period.

At the end of the reporting year, a total of 1,132,380 SARs may still be exercised. The range of exercise prices is between €25.33-€37.77.

In 2020, no SARs were exercised from one of the replaced long-term incentive plans. The weighted average term to maturity for the SAR Plan is 1.5 years.

30. Audit fees and services provided by the auditors

The fees for audit services of KPMG AG Wirtschaftsprüfungsgesellschaft mainly referred to the audit of the consolidated financial statements and the annual financial statements of SGL Carbon SE as well as various audits of financial statements and packages of its subsidiaries. Other assurance services in 2020 refer to the audit of the separate non-financial Group report and audits in connection with the exemptions from energy taxes.

€m	2020	2019
Audit fees	0.6	0.6
Other assurance services	0.1	0.4
Other services	0.0	0.1
Total	0.7	1.1

31. List of shareholdings pursuant to Section 313 [2] of the German Commercial Code [HGB]

A.	Consolidated Companies		Interest in %	held via
a)	Germany			
1	SGL Carbon SE	Wiesbaden		
2	SGL CARBON GmbH ¹⁾	Meitingen	100	1
3	Dr. Schnabel GmbH ¹⁾	Limburg	100	2
4	SGL CARBON Beteiligung GmbH ¹⁾	Wiesbaden	100	1
5	SGL TECHNOLOGIES GmbH ¹⁾	Meitingen	100	1
6	SGL epo GmbH ¹⁾	Willich	100	5
7	SGL TECHNOLOGIES Composites Holding GmbH ¹⁾	Meitingen	100	5
8	SGL Composites Verwaltungs GmbH	Meitingen	100	7
9	SGL TECHNOLOGIES Beteiligung GmbH ¹⁾	Meitingen	100	5
10	SGL TECHNOLOGIES Zweite Beteiligung GmbH	Meitingen	100	5
11	SGL/A&R Immobiliengesellschaft Lernwerder mbH	Lernwerder	51	5
12	SGL/A&R Services Lernwerder GmbH	Lernwerder	100	11
13	SGL/A&R Real Estate Lernwerder GmbH & Co. KG	Lernwerder	100	12
14	SGL Carbon Asset GmbH ¹⁾	Meitingen	100	4
15	SGL Composites Materials Germany GmbH ¹⁾	Meitingen	100	5
16	SGL Composites Deutschland Verwaltungs GmbH	Meitingen	100	15

¹⁾ Exemption in accordance with section 264 [3] of the German Commercial Code [HGB]

A.	Consolidated Companies		Interest in %	held via
b)	Other countries			
17	SGL GELTER S.A.	Madrid, Spain	64.0	2
18	SGL CARBON S.p.A. in liquidazione (i.L.)	Mailand, Italy	99.8	14
19	SGL Graphite Verdello S.r.l.	Verdello, Italy	100	2
20	SGL CARBON do Brasil Ltda.	Diadema, Brazil	100	2
21	SGL CARBON GMBH	Ried im Innkreis, Austria	100	1
22	SGL Composites GmbH	Ried im Innkreis, Austria	100	7
23	SGL CARBON FIBERS LTD.	Muir of Ord, United Kingdom	100	21
24	SGL Composites S.A.	Lavradio, Portugal	100	21
25	SGL BUSINESS SERVICES, UNIPESSOAL, LDA	Lavradio, Portugal	100	2
26	SGL Carbon Holdings B.V.	Rotterdam, Netherlands	100	4
27	SGL GRAPHITE SOLUTIONS POLSKA sp. z o.o.	Nowy Sącz, Poland	100	26
28	SGL CARBON Holding S.A.S.	Paris, France	100	1.4
29	SGL CARBON S.A.S.	Passy (Chedde), France	100	28
30	SGL CARBON Technic S.A.S.	Saint-Martin d'Herès, Frankreich	100	28
31	SGL CARBON Ltd.	Alcester, United Kingdom	100	1
32	SGL CARBON, LLC	Charlotte, NC, USA	100	4
33	SGL Technologies LLC	Charlotte, NC, USA	100	32
34	SGL COMPOSITES INC.	Gardena, CA, USA	100	33
35	SGL Technic LLC	Valencia, CA, USA	100	32
36	SGL CARBON TECHNIC LLC	Strongsville, OH, USA	100	32

A.	Consolidated Companies		Interest in %	held via
b)	Other countries			
37	SGL Composites LLC	Moses Lake, WA, USA	100	33
38	SGL LAND HOLDING Inc. ¹⁾	Lachute, Québec, Kanada	100	1
39	SGL CARBON INDIA Pvt. Ltd.	Maharashtra, India	100	1
40	SGL CARBON Far East Ltd.	Shanghai, China	100	1
41	SGL CARBON Japan Ltd.	Tokio, Japan	100	1
42	SGL CARBON Korea Ltd.	Seoul, South Korea	100	1
43	SGL CARBON ASIA-PACIFIC SDN BHD	Kuala Lumpur, Malaysia	100	1
44	SGL Quanhai Carbon (Shanxi) Co. Ltd.	Yangquan, China	84.5	4
45	SGL PROCESS TECHNOLOGY PTE. LTD.	Singapore	100	1
46	SGL CARBON Graphite Technic Co. Ltd.	Shanghai, China	100	45
47	Graphite Chemical Engineering Co. Ltd.	Yamanashi, Japan	100	45
48	SGL Graphite Solutions Taiwan Ltd.	Taipei City, Taiwan	100	2

¹⁾ Liquidated on January 14, 2021

B.	Equity investments over 20%			
	Other countries			
49	Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano, Italy	50.0	5
50	MCC-SGL Precursor Co. Ltd.	Tokyo, Japan	33.3	5
51	Fisigen, S.A.	Lissabon, Portugal	49.0	24

32. Declaration of Conformity with the German Corporate Governance Code

The annual declaration of conformity with the German Corporate Governance Code according to Section 161 of the German Stock Corporation Act (AktG) was issued by the Board of Management and the Supervisory Board of SGL Carbon SE on November 27, 2020 and has been published on the website of SGL Carbon SE.

33. Subsequent events

On March 10, 2021, SGL Carbon GmbH, a 100% subsidiary of SGL Carbon SE, received a funding notification totaling €42.9 million for the development and industrialization of innovative anode materials for use in synthetic graphite as part of the second European IPCEI (Important Project of Common European Interest) / EUBatIn (European Battery Innovation) program. The funding program aims to establish a competitive European

value chain for lithium-ion batteries based on innovative and sustainable technologies. SGL Carbon's contribution ranges from the development of anode materials with increased performance, energy-efficient and sustainable manufacturing processes to novel recycling concepts. The approved funding will partially reimburse SGL Carbon for the depreciation from the investments as well as the operating expenses in connection with the funding project over the term until 2028.

Wiesbaden, March 23, 2021

SGL Carbon SE

The Board of Management of SGL Carbon SE

Dr. Torsten Derr

Thomas Dippold

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Independent Auditor's Report

To SGL Carbon SE, Wiesbaden

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of SGL Carbon SE, Wiesbaden, and its subsidiaries [the Group], which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit and loss, consolidated statement of total income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SGL Carbon SE for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 [referred to subsequently as "EU Audit Regulation"] and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of goodwill Graphite Solutions and Composites Deutschland

With respect to the accounting policies applied, we refer to Note 2, and with respect to the disclosure of amount of impairment recorded, we refer to Notes 9 and 13 in the notes to the consolidated financial statements. The financial performance of the business units is described in the section "Financial performance of the reporting segments" and the expected development along with its chances and risks is described in the section "Opportunities and Risk Report" of the Group management report.

THE FINANCIAL STATEMENT RISK

As at 31 December 2020, goodwill totaled EUR 20.7 million thereby comprising 8.9 % of the Group's equity and having a significant impact on the net asset.

Goodwill is tested for impairment annually at the level of the operating segments Graphite Solutions (GS) and Composites-DE (Comp-DE). If any impairment triggers are identified throughout the year, an event driven impairment test is carried out. The carrying amount is thereby compared with the recoverable amount of the respective operating segments. If the carrying amount exceeds the recoverable amount of the respective operating segment, an impairment is recorded. The recoverable amount is the higher of the fair value less the costs to sell and value in use of the operating segment. The impairment test was carried out as at 1 October 2020. As of this date additional impairment triggers were identified. The reduction of future expected cashflows of operating segment Comp-DE results in a recorded impairment charge of EUR 33.5 million for this cash generating unit.

The goodwill impairment test is complex and is based on a number of judgmental assumptions. These include, among others, the expected business and earnings development of the operating segments for the upcoming five years for operating segment GS and ten years for operating segment Comp-DE, respectively, the assumed long-term growth rates and the discount rate used.

There is a risk relating to the group financial statements, that the impairment charge was not recorded appropriately at period end. In addition, there is the risk that the disclosures in the notes associated herewith are not appropriate.

OUR AUDIT APPROACH

At first, we have obtained an understanding of the process of the entity for determining the recoverable amount of goodwill by descriptions from personnel responsible for the impairment tests and inspection of relevant documentation for the impairment test. With involvement of our valuation specialists we have assessed the adequacy of the significant assumptions as well as the valuation methods. In doing so we have discussed with personnel responsible for the planning process the future cashflows as well as the assumed terminal growth rate. Additionally, we have performed reconciliations to internally prepared prognosis, e.g. the budget prepared by management and taken note of by the supervisory board. The reasonableness of growth rates was assessed based on external market expectations.

We have assessed the company's previous prognosis quality by comparing the previous prepared budgets for former years with the actual realized results and have analyzed deviations. We have compared the assumptions and parameter used as basis for the costs of capital, especially the risk-free rate, the market risk premium and the beta factor, with own assumptions and publicly available data.

To reflect the existing uncertainty with respect to forecasts as well as the earlier valuation date for the impairment test, we have assessed reasonably possible changes of the discount rate, the expected earnings, the long-term growth rate, respectively, on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's valuation results. Additionally, we have reconciled the book value of the cash generating unit and assessed the appropriateness of the allocation of corporate assets as well as the allocation of impairment charge to the respective assets.

Finally, we assessed whether the disclosures in the notes with respect to the recoverability of the carrying amount of the goodwill are appropriate. This also included an assessment as to the appropriateness of the disclosures in the notes pursuant to IAS 36.134(f) with respect to sensitivities resulting from reasonably possible changes of key assumptions underlying the valuation.

OUR OBSERVATIONS

The underlying valuation model used in the impairment test of goodwill is appropriate and consistent with the applicable accounting principles.

The Company's assumptions and parameters underlying the valuation are appropriate. The disclosures in the notes associated herewith are appropriate.

Valuation of intangible assets and fixed assets of the cash generating unit Carbon Fibers

With respect to the accounting policies applied, we refer to Note 2, and with respect to the disclosure of amount of impairment recorded, we refer to Note 9 in the notes to the consolidated financial statements. The financial performance of the business unit Carbon Fibers & Materials (CFM), of which the cash generating unit Carbon Fibers (CF) is part of, is described in the section "Financial performance of the reporting segments" and the expected development along with its chances and risks is described in the section "Opportunities and Risk Report" of the Group management report.

THE FINANCIAL STATEMENT RISK

In 2020 the company's executive board has decided to unify the production processes as well as organizational management of the previous independent cash generating units Composites-Deutschland and Carbon Fibers and Composite Materials (CFCM) and thus establishing the new cash generating unit Carbon Fibers (CF). The production capacity of both former cash generating units is now utilized together in an optimized capacity management.

As at 31 December 2020, assets of the cash generating unit CF totaled EUR 259.5 million thereby comprising 20.6 % of the Group's total assets and having a substantial portion of the asset. In course of adjusting the production processes and the corresponding planning process it became evident that the earnings potentials of the cash generating unit CF have deteriorated. Based on this an impairment trigger was identified for the intangible and fixed assets allocated to the cash generating unit CF, thus SGL has carried out an impairment test.

If any impairment triggers for intangible and fixed assets are identified, the company calculates the recoverable amount and compares it with the carrying amount. If the carrying amount exceeds the recoverable amount, an impairment is recorded. The recoverable amount is the higher of the fair value less costs to sell and the value in use. As the value in use is higher than the fair value less cost to sell, the value in use has been determined based on a discounted-cashflow-approach. The reduction of future expected cashflows the cash generating unit CF results in a recorded impairment charge of EUR 73.0 million for this cash generating unit. This impairment charge has been allocated to the assets of the cash generating unit. If the earnings potentials deteriorate further than expected or if an increase in discount rate can be observed, additional impairments are necessary. In opposite, increased earnings potentials or a decrease in discount rate result in an impairment reversal.

The impairment test for intangible and fixed assets is complex and is based on a number of judgemental assumptions. These include, among others, the expected future cashflows, the economic useful lives of the assets, respectively, the assumed long-term growth rates and the discount rate used.

There is a risk relating to the group financial statements, that the impairment charge was not recorded appropriately at period end. In addition, there is the risk that the disclosures in the notes associated herewith are not appropriate.

OUR AUDIT APPROACH

At first, we have obtained an understanding of the process of the entity for determining the recoverable amount of goodwill by descriptions from personnel responsible for the impairment tests and inspection of relevant documentation for the impairment test. With involvement of our valuation specialists we have assessed the adequacy of the significant assumptions as well as the valuation methods. In doing so we have discussed with personnel responsible for the planning process the future cashflows as well as the assumed terminal growth rate. Additionally, we have performed reconciliations to internally prepared prognosis, e.g. the budget prepared by management and taken note of by the supervisory board. The reasonableness of growth rates was assessed based on external market expectations.

We have assessed the company's previous prognosis quality by comparing the previous prepared budgets for former years with the actual realized results and have analyzed deviations. We have compared the assumptions and parameter used as basis for the costs of capital, especially the risk-free rate, the market risk premium and the beta factor, with own assumptions and publicly available data.

To reflect the existing uncertainty with respect to forecasts, we have assessed reasonably possible changes of the discount rate, the expected earnings, the long-term growth rate, respectively, on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's valuation results. Additionally, we have reconciled the book value of the cash generating unit and assessed the appropriateness of the allocation of corporate assets as well as the allocation of impairment charge to the respective assets.

Finally, we assessed whether the disclosures in the notes with respect to the recoverability of the carrying amount of the goodwill are appropriate.

OUR OBSERVATIONS

The underlying valuation model used in the impairment test of intangible and fixed asset of cash generating unit CF is appropriate and consistent with the applicable accounting principles.

The Company's assumptions and parameters underlying the valuation are appropriate. The disclosures in the notes associated herewith are appropriate.

Recognition and measurement of restructuring provisions

The accounting policies applied are disclosed in the notes to the consolidated financial statements in note 2. Disclosures with respect to the restructuring measures and the restructuring provisions are provided in note 8.

THE FINANCIAL STATEMENT RISK

As at 31 December 2020, SGL Carbon SE recorded restructuring provisions in the amount of EUR 20.1 million in its consolidated financial statements.

Provisions are to be recorded for restructuring measures when the general and specific recognition criteria in the applicable standards have been satisfied. The measurement of the financially significant restructuring provisions is heavily dependent on the assessments and assumptions of the Company's Executive Board in particular in terms of the content of the redundancy plan, the redundancy amounts as well as the granting of gardening leave to employees.

There is the risk to the consolidated financial statements that the criteria for the recognition of the restructuring provisions have not been satisfied respectively that these have not been appropriately measured.

OUR AUDIT APPROACH

Within the scope of our audit, we initially assessed whether the recognition criteria were satisfied as at 31 December 2020. In particular, we assessed whether a detailed formal restructuring plan was available and whether the main features of the restructuring measures had been communicated to the employees affected or whether the implementation of the restructuring measures had been started.

The personnel responsible for the measurement then explained the assumptions underlying the measurement of the restructuring provisions. We assessed the consistency of the assumptions with the detailed formal restructuring plan. Moreover, we compared the assumptions with the restructuring measures previously implemented and critically assessed contracts and agreements concluded as at the balance sheet date.

OUR OBSERVATIONS

The underlying assumptions for the measurement are appropriate.

Other Information

Management respectively supervisory board are responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the separate group non-financial report, which is referred to in the group management report and
- the separate group corporate governance statement, referred to in the group management report, and
- information extraneous to management reports and marked as unaudited.

The other Information includes also the remaining parts of the annual report.

The other Information does not include the consolidated financial statements, the group management report extraneous to management reports and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures [systems] as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e [1] HGB.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report [hereinafter the "ESEF documents"] contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "2020_SGL_Carbon_ESEF_Paket.zip" (SHA256-Hash: cfec9bdb2103f8af455c1d12ad48cb7db06dddfcbe4983471d0212e50424049b) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ["ESEF format"]. In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 16 June 2020. We were engaged by the supervisory board on 7 December 2020. We have been the group auditor of the SGL Carbon SE without interruption since the financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dirk Janz.

Frankfurt / Main, 23 March 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Janz
Wirtschaftsprüfer
[German Public Auditor]

Becker
Wirtschaftsprüfer
[German Public Auditor]

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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 material opportunities and risks associated with the expected development of the Group.

Wiesbaden, March 23, 2021

SGL Carbon SE
The Board of Management of SGL Carbon

Dr. Torsten Derr

Thomas Dippold

Corporate Bodies

Board of Management

[Status: December 31, 2020]

Dr. Torsten Derr

Since June 1, 2020

Chairman/Chief Executive Officer of SGL Carbon SE

Responsible for:

Human Resources
Legal, Compliance, and Internal Audit [since October 15, 2020]
Corporate Development / Strategy
Investor Relations and Corporate Communications
Purchasing
Production Technology Safety Environment [PTSE]
BU Graphite Solutions
BU Composite Solutions
BU Carbon Fibers
BU Process Technology

Internal board memberships:

Brembo SGL Carbon Ceramic Brakes S.p. A., Stezzano, Italy ¹⁾
[since July 24, 2020]

Thomas Dippold

Since October 15, 2020

Member of the Board of Management of SGL Carbon SE

Since December 1, 2020

Chief Financial Officer of SGL Carbon SE

Responsible for:

Group Accounting
Group Controlling
Group Treasury
Financial Reporting
Legal, Compliance, and Internal Audit [since October 15, 2020]
Information Technology and Digitization
Group Taxes
Risk Management [since October 15, 2020]
BU Graphite Solutions
BU Composite Solutions
BU Carbon Fibers
BU Process Technology

Internal board memberships:

SGL CARBON LLC, Charlotte, USA [since December 1, 2020]

¹⁾ Shareholder Committee

With memberships outside Germany, the respective country is mentioned

Board members with expired terms

Dr. Michael Majerus

Until November 30, 2020

Chief Financial Officer of SGL Carbon SE

Responsible for:

Group Accounting
Group Controlling
Group Treasury
Financial Reporting
Information Technology
Information Security
Purchasing [until May 31, 2020]
Investor Relations [until May 31, 2020]
Group Taxes
Risk Management
Internal Audit

Internal board memberships:

SGL CARBON LLC, Charlotte, USA [until November 30, 2020]

External board memberships:

B.R.A.I.N. Biotechnology Research and Information Network AG,
Zwingenberg

Dr. Stephan Bühler

Until October 14, 2020

Member of the Board of Management

Responsible for:

Compliance
Legal

Internal board memberships:

Brembo SGL Carbon Ceramic Brakes S.p. A., Stezzano, Italy ¹⁾
[until July 23, 2020]
SGL Carbon Holding SAS, Saint Martin d'Heres, Frankreich

¹⁾ Shareholder Committee
With memberships outside Germany, the respective country is mentioned.

Supervisory Board

[Status: December 31, 2020]

Susanne Klatten

Chairwoman of the Supervisory Board of SGL Carbon SE
Chairwoman of the Personnel and Nomination Committee

Entrepreneur

Board memberships pursuant to Sec. 125 (1) 5 AktG:

ALTANA AG, Wesel

BMW AG, Munich

UnternehmerTUM GmbH, Munich ¹⁾

Sprind GmbH, Leipzig

Georg Denoke

Deputy Chairman of the Supervisory Board of SGL Carbon SE
Chairman of the Audit Committee

Managing director and CEO of ATON GmbH, Munich

Board memberships pursuant to Sec. 125 (1) 5 AktG:

EDAG Engineering Group AG, Arbon, Switzerland ²⁾

Helmut Jodl

Deputy Chairman of the Supervisory Board of SGL Carbon SE

Chairman of the Works Council [full-time]

SGL CARBON GmbH

Chairman of the SE-Works Council

Ana Cristina Ferreira Cruz

Head of Integrated Management System

SGL COMPOSITES, S.A., Lavradio, Portugal

Edwin Eichler

Consultant

Board memberships pursuant to Sec. 125 (1) 5 AktG:

SMS Group GmbH, Duesseldorf ¹⁾

Ingeborg Neumann

Managing partner of Peppermint Holding GmbH, Berlin

Board memberships pursuant to Sec. 125 (1) 5 AktG:

FUCHS PETROLUB SE, Mannheim

BERLINER WASSERBETRIEBE AöR, Berlin

Scienion AG, Dortmund [resigned on September 1, 2020]

Markus Stettberger

Chairman of the Works Council [full-time]

SGL CARBON GmbH, Meitingen

Deputy Chairman of the SE-Works Council

Dieter Züllighofen

Chairman of the Works Council [full-time]

SGL CARBON GmbH, Bonn

¹⁾ Chairwoman/Chairman of the supervisory board

²⁾ Chairman of the advisory committee

With memberships outside Germany, the respective country is mentioned

Glossary

Commercial Glossary

Associated companies

Associated companies are entities in which significant influence can be exercised over their operating and financial policies and which are not subsidiaries, joint ventures or joint operations. In general, this applies to companies in which SGL has an investment of between 20% and 50%.

At-Equity method

Method used in the consolidated financial statements for measuring and accounting for investments in which the SGL Carbon has joint control in, or significant influence over. Under the equity method, investments of this kind are initially recognized at cost. In subsequent years, these investments then change in line with their profit or loss contribution.

Bond

Collective term for interest-bearing debt instruments with contractually fixed repayment terms. Bonds are issued either by governments or companies and sold through financial institutions and provide long term external financing.

Cash flow

An economic measure for the inflow and outflow of cash funds representing the net inflow from sales activity and other current activities in a period. In a cash flow statement, the change in cash and cash equivalents is broken down by operating activity, investing activity and financing activity.

Cash flow hedge

A hedge of a recognized asset or of future, highly likely (foreign currency) transactions. The change in value of the hedging instrument is recognized directly in equity.

Cash generation

Total EBIT plus amortization/depreciation on intangible assets and property, plant & equipment plus change in working capital less capital expenditure

Capital employed

The sum of Goodwill, other intangible assets, property, plant & equipment, inventories, trade receivables less trade payables.

Capital expenditures (capex)

Capex is defined as additions to other intangible assets and property, plant and equipment excluding additions from acquisitions and right-of-use assets arising from leases.

Convertible bond

A corporate bond that includes a share option. Under the option, the bond can be exchanged (converted) for shares in the company subject to certain preconditions. The exchange is possible within a specific period at a fixed price. The conversion price normally exceeds the share price on the date of the bond issue.

Corporate Governance

The German Corporate Governance Code is the primary legislation governing the management and monitoring of German publicly traded companies and comprises international standards for adequate and responsible corporate management.

Declaration of conformity

Declaration of conformity by the Board of Management and Supervisory Board of compliance with the German Corporate Governance Code pursuant to section 161 German Stock Corporation Act (AktG).

Deferred taxes

Assets and liabilities arising from the different treatment of transactions for financial and tax reporting purposes.

Distributable accumulated profits/accumulated losses

Result of SGL Carbon SE as reported in its German GAAP financial statements based on calculation pursuant to the German Commercial Code (HGB).

DSO (Days Sales Outstanding)

Trade account receivables divided by sales revenue, times 360 [A low figure indicates that the company collects its outstanding receivables quickly].

Earnings per share (EPS)

The figure of EPS is calculated by dividing the net result of the year attributable to SGL Carbon SE shareholders by the weighted average number of outstanding shares for the financial year.

EBIT

Earnings before interest and taxes. EBIT is an important key performance indicator for assessing the operational profitability of companies.

EBIT-margin

EBIT before non-recurring items to sales revenue.

EBITDA

Earnings before interest, taxes, depreciation and amortization. In the case of EBITDA, the focus is rather more on cash earnings potential.

EBITDA pre-exceptional items

From 2021 onwards, EBITDA pre-exceptional items is calculated by adjusting operating profit/loss (EBIT) for the following: [1] depreciation in accordance with IFRS, i.e. straight-line depreciation including the effects of impairment (IAS 36), purchase price allocations (IFRS 3), and depreciation on as-sets held for sale in accordance with IFRS 5; [2] restructuring expenses; [3] proceeds from the sale of land and buildings; [4] proceeds from insurance claims, provided they are not counterbalanced by any offsetting items during the reporting period; [5] other material one-off impacts, which are not reflecting the underlying business development. The reason for this implementation is to have a transparent KPI for the performance of our business.

EBIT-margin

EBIT before non-recurring charges to sales revenue, also known as return on sales.

Equity ratio

The shareholders' equity as a proportion of total assets. The higher the equity ratio, the more independent a company is from external providers of capital. The equity ratio is also an indicator of the creditworthiness and robustness of a company.

EURIBOR

Euro InterBank Offered Rate (EURIBOR) is an interest rate at which euro interbank term deposits are offered

Derivative financial instruments

Forward contracts whose value is derived from another existing [primary] market value. An example of a derivative is a currency option, in which the premium largely depends on the option price, the maturity of the option and the volatility of this currency.

Free cash flow

The balance of cash flow from operating activities and cash flow from investing activities. Free cash flow therefore reflects the amount available to the company, for example, for debt repayment or distribution of dividends.

Free float

The total number of shares not owned by major investors (e.g. the parent company). Free float shares are distributed among a large number of shareholders and can therefore be bought and sold by many people. The number of free float shares therefore also normally provides an indication of the liquidity of the shares.

Functional costs

Functional costs include cost of sales, R&D expenses, selling expenses and general and administration expenses.

Gearing

The ratio of net debt to equity. Gearing is a key performance indicator reflecting financial strength and illustrates the dependency of a company on third-party lenders. The higher the figure, the greater the theoretical dependency.

Goodwill

The excess of cost of an acquisition over the fair value of the acquired entity at the time of acquisition.

Gross profit

Sales revenue less cost of sales.

Hedging

Strategy to limit or eliminate price risks. Hedging is standard practice in capital markets and is used by market players to offset risks.

International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS)

Uniform accounting standards to enhance comparability of financial data. According to European Union regulation, publicly traded companies are required to prepare their consolidated financial statements in accordance with these rules.

Joint venture

A contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

Joint operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights of the assets, and obligation for the liabilities, relating to the arrangements.

Leverage Ratio

Net financial debt to EBITDA. Key figure that compares debt to operating earnings before interest, taxes, depreciation and amortization. Due to the cash earnings potential of EBITDA, this key figure is often used by banks for granting loans.

Market capitalization

Key performance indicator providing information on the stock market value of a listed company. It is calculated by multiplying the number of shares by the current share price.

Net Financial Debt

Interest-bearing loans (nominal) less cash and cash equivalents less time deposits.

Operating EBIT

EBIT before non-recurring items and one-off effects. In contrast to EBIT, this parameter eliminates non-recurring effects in order to establish a better baseline for forecasts.

Rating

Internationally recognized criteria for assessing the creditworthiness of a debtor or company. Ratings are determined by specialist agencies using standardized procedures.

Return on sales

Ratio of EBIT to sales revenue. Return on sales [ROS] provides information on a company's operating profit as a percentage of sales revenue in the period under review. A high return on sales indicates a high level of profitability.

ROCE [Return on capital employed]

The ratio of EBIT to capital employed. This key performance indicator provides information on the return on average capital employed by a company over a specific period.

Syndicated loan

A loan offered by a syndicate consisting of several core industries; the loan's overall risk [e. g. resulting from credit quality or capital lock-up] is spread across the financial institutions involved.

Weighted average cost of capital [WACC]

An average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds and other debt, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure. The resulting rate is what the firm would use as a minimum for evaluating a capital project or investment.

Working Capital

Inventories plus trade receivables minus trade payables. This figure describes the current assets employed by a company in the short-term. The lower the working capital, the better the liquidity position of a company.

Technical Glossary

Coarse grain graphite

The grain size lies between 1mm and up to approx. 20mm. Key material property is the high resistance to thermal shock. Typical product examples are graphite electrodes for steel scrap recycling, cathodes for aluminum electrolysis and furnace linings for crude steel.

Fine grain graphite

Specialty graphite with a fine grain structure and a grain size of between 1mm and few μm , with which the required material strengths can be achieved. Fine grain graphites have a broad spectrum of applications in the semiconductor, mechanical engineering, metallurgical, industrial furnace construction, medical and analysis technology industries [isostatic graphite].

Fuel cell

A fuel cell is an electrochemical cell that converts chemical energy of a continuously supplied fuel [e.g. hydrogen, methanol] and an oxidizing agent [e.g. oxygen] into electrical energy. Gas diffusion layers [GDL], which ensure homogeneous gas distribution on the electrode, are an important component of a fuel cell. This component often consists of a special paper that is based on short-cut carbon fibers.

Isostatic graphite

Special fine grain graphite for specific applications. Its name is derived from the method of production [isostatically pressed; in a chamber of water subjected to equal pressure from every side]. The main features of isostatic graphite are strength, density and isotropic structure. It is therefore used in all applications where the mechanical properties of conventional graphite are inadequate.

Lithium-ion battery

Rechargeable battery with high energy and performance density. The cathode is made from a lithium compound, the anode from carbon or graphite. During the charging process, the lithium ions in the cathodes migrate to the carbon lattice of the anode material [intercalation]. During discharging, the lithium ions from the intercalation migrate back to the cathode. Lithium-ion batteries are the standard batteries for mobile applications today. The anode material often consists of synthetic graphite [GAM: graphite anode material].

Natural graphite

A natural mineral. It is extracted from both surface and underground mining. High purity (> 99%) is achieved by purification.

processes (flotation, thermal and chemical purification). Natural graphite possesses the nearly ideal crystalline structure of graphite. Its use as a lubricant is well known. The largest natural graphite amounts are used for fire proof applications. Small amounts are also included in the recipe for fine grain graphites. Inclusion of acids produces graphite salts, which are converted to expanded graphite in a thermal process.

PAN-Precursor

Synthetic fiber made from polyacrylonitrile (PAN). PAN precursor is the raw material used in the production of carbon fibers.

Petroleum coke

Is a mass volume by-product of the oil refining process and is used as one of the raw materials for the production of synthetic graphite.

REACH (regulation for chemicals)

REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals.

Wide-bandgap semiconductor

Materials whose band gap is at the upper end of the range of semiconductors [3 eV to over 4 eV]. Traditional silicon-based semiconductors have a band gap of 1.1 eV. Examples of wide-bandgap semiconductor materials are GaN, SiC. Such materials are distinguished from traditional semiconductors by advantages such as processing higher voltages, operating at higher temperatures, processing higher frequencies and greater reliability. They are therefore suitable for applications in power electronics, low-noise amplifiers and for high-frequency and microwave amplifiers.

List of Acronyms

A AktG German Stock Corporation Act (Aktiengesetz)	IT Information technology
C CFRP Carbon Fiber Reinforced Plastic	L LTCI Long Term Cash Incentive
D DAX German Stock Index (large caps)	LTI Long Term Incentive
E EBIT Earnings before Interest and Taxes	M MDAX MidCap DAX
EBITDA Earnings before Interest, Taxes, Depreciation and Amortization	R REACH Registration, Evaluation, Authorization and Restriction of Chemicals
EHSA Environment, Health & Safety Affairs	ROCE Return on Capital Employed
EPS Earnings per Share	S SAR Stock Appreciation Rights
H HGB German Commercial Code	SDAX SmallCap DAX
I IAS International Accounting Standards	V VorstAG Act on Appropriateness of Management Board Remuneration
IASB International Accounting Standards Board	W WpHG German Securities Trading Act
IFRIC International Financial Reporting Interpretations Committee	
IFRS International Financial Reporting Standards	

Financial Calendar

March 25, 2021

- Publication of the 2020 Annual Report
- Year-end press conference (conference call)
- Conference call for analysts and investors

May 12, 2021

- Report on the first quarter 2021
- Conference call for analysts and investors

May 21, 2021

- Annual General Meeting

August 12, 2021

- Report on the first half of 2021
- Conference call for analysts and investors

November 11, 2021

- Report on the first nine months 2021
- Conference call for analysts and investors

Contact

Investor Relations

SGL Carbon SE
Söhnleinstrasse 8
65201 Wiesbaden/Germany
Phone: +49 611 6029-103
Fax: +49 611 6029-101
E-mail:
Investor-Relations@sglcarbon.com

www.sglcarbon.com

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Board of Management

Peter Obenaus

Chairwoman of the Supervisory Board

Michael Dannenmann

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Five-year Financial Summary

€m	Footnote	2020	2019	2018	2017	2016
Financial performance						
Sales revenue		919.4	1,086.7	1,047.5	860.1	769.8
thereof outside Germany		69%	69%	66%	74%	73%
thereof in Germany		31%	31%	34%	26%	27%
EBITDA before non-recurring items	1)	123.5	120.0	127.2	90.7	69.9
Operating profit/loss (EBIT) before non-recurring items	1)	50.2	48.4	64.6	40.1	20.7
Result from continuing operations before income taxes		-123.1	-73.2	51.3	-7.8	-27.2
Consolidated net result [attributable to the shareholders of the parent company]		-132.2	-90.0	41.3	138.9	-111.7
Return on sales (EBIT-margin)	2)	5.5%	4.5%	6.2%	4.7%	2.7%
Return on capital employed (ROCE _{EBIT})	3)	4.5%	3.9%	5.4%	4.6%	2.5%
Return on capital employed (ROCE _{EBITDA})	4)	11.1%	9.6%	10.5%	10.5%	8.4%
Earnings per share, basic (in €)		-1.08	-0.74	0.34	1.14	-1.19
Net assets						
Equity attributable to the shareholders of the parent company		220.7	418.6	531.6	457.0	331.8
Total assets		1,258.8	1,504.8	1,585.1	1,541.7	1,899.2
Net financial debt		286.5	288.5	242.2	139.0	449.4
Equity ratio	5)	17.5%	27.8%	33.5%	29.6%	17.5%
Leverage Ratio	6)	2.3	2.4	1.9	1.5	6.4
Headcount	7)	4,837	5,127	5,031	4,732	5,384
Financial position						
Payments to purchase intangible assets and property, plant and equipment		55.8	95.1	78.1	52.9	34.6
Depreciation/amortization expense		73.3	71.6	62.6	50.6	49.2
Working capital	8)	351.8	406.8	419.1	318.5	254.2
Free cash flow	9)	73.7	-17.3	-58.5	-144.7	-48.1

¹⁾ Before non-recurring items of minus €143.9 million in 2020, minus €82.7 million in 2019, €16.3 million in 2018, €8.9 million in 2017 and €3.0 million in 2016

²⁾ EBIT before non-recurring items to sales revenue

³⁾ EBIT before non-recurring items to average capital employed

⁴⁾ EBITDA before non-recurring items to average capital employed

⁵⁾ Equity attributable to the shareholders of the parent company to total assets

⁶⁾ Net financial debt to EBITDA before non-recurring items


⁷⁾ As of December 31: until 2016 including discontinued operations, from 2017 including employees with fixed-term contracts

⁸⁾ Total of inventories, trade receivables and contract assets less trade payables

⁹⁾ Cash flow from operating activities (continuing operations) minus cash flow from investing activities (continuing operations)

SGL Carbon SE
Söhnleinstrasse 8
65201 Wiesbaden / Germany
Phone +49 611 6029-0
Fax +49 611 6029-305
www.sglcarbon.com

Key Visual for Formula Carbon –
our Guiding Principles

An abstract graphic at the bottom of the page featuring several horizontal streaks of light. The colors transition from deep red on the left to bright orange and yellow in the center, then to a cool blue on the right. The streaks have a soft, glowing quality, suggesting motion or energy.