

Broad Base. Best Solutions.



SGL GROUP
THE CARBON COMPANY

Investor & Analyst Conference Call

Wiesbaden
May 12, 2016

Agenda.

1. Review of the first quarter 2016 – Jürgen Köhler

2. Financials Q1 2016

3. Outlook 2016

Review of the first quarter 2016. Better operating result in CFM and GMS overshadowed by lower GE prices



- CFM generated highest quarterly result since inception
- Adjusted for one-off effects in prior year GMS also posted higher EBIT
- PP with negative EBIT as anticipated due to price pressure in GE, leading to lower Group sales and negative Group EBIT
- Recurring Group EBIT minus €3 million in Q1/2016 (Q1/2015: €5 million) on lower Group sales of €295 million (Q1/2015: €315 million)
- Legal separation of the business unit PP according to accelerated schedule
- Review of further measures proceeding – comprehensive information packages sent out to numerous interested parties at end of April
- Frankfurt-Griesheim GE production terminated at the end of April

Agenda.

1. Review of the first quarter 2016

2. Financials Q1/2016 – Michael Majerus

3. Outlook 2016

Composites - Fibers & Materials. Highest result since inception



in € million	Q1/2016	Q1/2015
Sales revenue	82.3	80.0
EBITDA	12.7	3.2
EBIT	7.8	-0.4
EBIT-Margin (in %)	9.5	-0.5

- **Sales revenue** increased by 3% (no currency impact) due to
 - inclusion of HITCO's materials business (low single digit million € sales)
 - higher sales from automotive and wind customers
 - partially offset by lower sales from textile acrylic fibers, where pricing is based on acrylonitrile/crude oil price development (no EBIT impact)
- Recurring **EBIT** with significant turnaround
 - Completion of ramp up and efficiency improvements at SGL ACF (joint ventures with BMW Group)
 - Higher volumes and thus better capacity utilization in our carbon fiber facilities
 - Low single digit million € profit contribution from HITCO materials business due to finalization of two large orders (not to be extrapolated to full year)
 - Improved result from At-Equity investments (now reported in CFM EBIT)
 - SGL Excellence savings of €1.2 million

Graphite Materials & Systems. Higher EBIT after adjustment of positive one-time effects in Q1/2015



in € million	Q1/2016	Q1/2015
Sales revenue	103.0	104.1
EBITDA before non-recurring charges*	12.4	14.4
EBIT before non-recurring charges*	7.0	8.9
EBIT-Margin before non-recurring charges* (in %)	6.8	8.5
EBIT	6.8	8.9

- **Stable sales revenue** (currency adjusted down 2%)
 - Main reason for currency adjusted sales decline was the North American business which was negatively impacted by reduced demand from energy related industries due to the low crude oil price
 - Partially compensated by higher sales from solar, semiconductor, and LED industries
 - Demand for graphite (anode) materials for lithium ion battery industry continued at expected stable levels
- **Recurring EBIT** declined 21% primarily due to non-recurrence of positive one-off effects from last year (gain from land sale and insurance compensations). Adjusted for these one-off effects, the operating result improved by €2 million in the first quarter 2016
- **SGL Excellence savings** €1.9 million

Performance Products. Impacted by price decline in graphite electrodes



in € million	Q1/2016	Q1/2015
Sales revenue	107.2	128.3
EBITDA before non-recurring charges*	-2.1	18.6
EBIT before non-recurring charges*	-8.8	8.2
EBIT-Margin before non-recurring charges* (in %)	-8.2	6.4
EBIT	-8.8	7.4

- Lower **sales revenue** (-16%, currency adjusted -17%) due to
 - price decline in graphite electrodes
 - more than offsetting improvement in remaining PP businesses (cathodes, furnace linings, and carbon electrodes)
 - on the encouraging side, volumes in GE stabilized at low levels and even showed a slight increase compared to the prior year period
- **EBIT** declined to minus €8.8 million from €8.2 million in the prior year period mainly due to
 - renewed price pressure on graphite electrodes
 - cost savings from both raw material price developments as well as from SGL Excellence and other projects (€2.8 million) were unable to compensate for the GE price effect

T&I and Corporate. Lower expenses than prior year period



in € million	Q1/2016	Q1/2015
Sales revenue	2.2	2.9
EBITDA before non-recurring charges*	-7.7	-10.0
EBIT before non-recurring charges*	-9.3	-11.7
EBIT	-11.1	-11.7

- Recurring **EBIT** improved by 20% due to
 - lower provisions for variable management remuneration components
 - general cost savings despite unchanged T&I costs
- **Non-recurring charges** of €1.8 million in Q1/2016 mainly relates to expenses for consultants and lawyers required for the carve out of the PP business

Group. Impacted by negative price development in graphite electrodes

in € million	Q1/2016	Q1/2015
Sales revenue	294.7	315.3
EBITDA before non-recurring charges	15.3	26.6
EBIT before non-recurring charges	-3.3	5.0
<i>Non-recurring charges</i>	-2.0	-0.8
EBIT	-5.3	4.2
Net financing result	-16.0	-12.0
Results from continuing operations before income taxes	-21.3	-7.8
Income tax expense and non controlling interests	-5.1	-3.6
<i>Discontinued operations</i>	0.0	-5.1
Consolidated net result attributable to the shareholders of the parent company	-26.4	-16.5

- **Cost savings** of €6 million from SGL2015 in Q1/2016, of which €5 million attributable to SGL Excellence

Free cash flow. Improvement compared to prior year period

in € million	Q1/2016	Q1/2015
Cash flow from operating activities	-41.4	-74.3
Capital expenditures in property, plant and equipment and intangible assets	-6.7	-13.2
- thereof SGL ACF	-0.5	-6.1
- thereof SGL Group excluding SGL ACF	-6.2	-7.1
Cash flow from other investing activities*	2.1	9.4
Free cash flow	-46.0	-78.1
Free cash flow from discontinued operations**	-12.9	-13.3

- **Cash flow from operating activities** improved strongly by more than €30 million as a result of the non-recurrence of cash effects from the termination of USD hedges in the previous year and reduced working capital buildup in the reporting period, thus more than offsetting the lower result from continuing operations before taxes
- Substantially reduced **capital expenditures** to €6.7 million in Q1/2016 reflects the completion of the ramp-up at SGL ACF in 2015 and our restrictive capex behavior in light of the overall situation

* Dividends received, payments for capital contributions in investments accounted for At-Equity and other financial assets, proceeds from sale of intangible assets and property, plant and equipment

** Free cash flow from discontinued operations (HITCO) amounted to minus €12.9 million in Q1/2016 compared to minus €13.3 million in Q1/2015 and included the first of two payment installments to Avcorp as part of the negative purchase price for HITCO's aerostructure activities

Balance sheet. More than sufficient liquidity despite deteriorated ratios

in € million	31.03.2016	31.12.2015
Equity ratio (in %)	13.6	15.6
Total liquidity	188.4	250.8
Net financial debt	589.6	534.2
Gearing (net debt/equity)	2.44	1.85

- **Equity ratio** declined mainly due to the net loss of €26 million as well as the further adjustment of pension liabilities in Germany and the US to lower interest rates (impact on equity: minus €21 million after taxes)
- Higher **net financial debt** reflects mainly the reduced liquidity. This change mainly resulted from the buildup of working capital due to the decrease in trade payables, as well as to one-time cash outflows in connection with the partial payment of the negative purchase price for HITCO's business with structural aircraft components (Aerostructures)
- **Liquidity** at end of Q1/2016 sufficient to more than cover expected operational cash outflow in 2016
- €200 million **syndicated loan** available and undrawn
- Thanks to the **successful refinancing** of the 2009/2016 convertible bond in September 2015, no **maturities** of any of our **financial debt** instruments until **January 2018** (convertible bond 2012/2018)

Agenda.

1. Review of the fiscal year 2015

2. Financials 2015

3. Outlook 2016 – Jürgen Köhler

Business unit outlook 2016. EBIT improvements in CFM and GMS will be overshadowed by deterioration in GE



- **Composites – Fibers & Materials (CFM):** Close to stable sales and strong EBIT* improvement. Solid demand from automotive industry offset by crude oil based pricing of textile acrylic fibers business (no EBIT impact). EBIT* improvement based on higher volumes and cost savings. Q1/2016 not to be extrapolated to full year as positively impacted by non-recurring high invoicing in HITCO's materials business
- **Graphite Materials & Systems (GMS):** Slight increase in sales and EBIT*. Sales to benefit from higher demand from solar, semiconductor, and LED industries. Continued stable demand from lithium ion battery industry. EBIT* to improve slightly despite non-recurrence of the positive one-off effects of the prior year due to the anticipated higher volume demand and cost savings. $ROCE_{EBITDA}$ should be close to our min. 15% target again
- **Performance Products (PP):** Substantial decrease in sales and negative EBIT* contribution from graphite electrodes due to continued pricing pressure. Cathodes/furnace linings/carbon electrodes with continued positive performance. Overall PP sales with low double digit percentage decline and negative EBIT* contribution in mid double digit million € amount
- **T&I and Corporate:** Slightly higher expenses due to non-recurrence of positive one-off effects

*before non-recurring effects

Group outlook 2016. Group KPIs will be heavily impacted by GE performance



- Full year **Group sales** slightly lower due to substantial decline in GE prices
- **Group recurring EBITDA* and EBIT***: substantial decrease solely due to negative EBIT* contribution from GE
- **Net result** to improve due to lower restructuring and other non recurring expenses but remaining in negative territory
- **Capex** substantially below prior year level and thus significantly below D&A of approx. €83 million
- **Free cash flow**: expected on prior year level
 - lower operational result and higher restructuring cash out (closure of GE production site in Frankfurt-Griesheim announced in February 2016)
 - compensated by lower cash out for discontinued operations (HITCO)
- **ROCE** to deteriorate in line with EBIT and EBITDA development

2016 negative free cash flow more than proportionately skewed to H1

- Q1 showed a typical seasonal working capital buildup plus a scheduled payment to Avcorp (buyer of HITCO's aerostructure activities) in January 2016
- Operationally, free cash flow will start improving from Q2 onwards – partially offset by expected restructuring cash out related to Frankfurt-Griesheim site closure

Almost the entire 2016 negative free cash flow will be effective in H1 – H2 should be more or less cash neutral

Status of carve out PP.

We are well within our accelerated schedule

- Last autumn we announced that we want to accelerate the PP carve out
- During the course of Q2/2016 all employees of PP will have been transferred to the new PP legal entities
- We have set up a project group to analyze **potential strategic options for PP**
- We have mandated two **investment banks**, one **legal advisor** and an **auditor** to support the process
- First discussions with both **strategic** and **financial** interested parties have taken place
- Detailed **information package** has been sent to numerous interested parties at the end of April after signing a NDA

Thank you for your
attention!

Important note:

This presentation contains forward looking statements based on the information currently available to us and on our current projections and assumptions. By nature, forward looking statements are associated with known and unknown risks and uncertainties, as a consequence of which actual developments and results can deviate significantly from the assessment published in this presentation. Forward looking statements are not to be understood as guarantees. Rather, future developments and results depend on a number of factors; they entail various risks and unanticipated circumstances and are based on assumptions which may prove to be inaccurate. These risks and uncertainties include, for example, unforeseeable changes in political, economic, legal and business conditions, particularly relating to our main customer industries, such as electric steel production, to the competitive environment, to interest rate and exchange rate fluctuations, to technological developments, and to other risks and unanticipated circumstances. Other risks that may arise in our opinion include price developments, unexpected developments associated with acquisitions and subsidiaries, and unforeseen risks associated with ongoing cost savings programs. SGL Group assumes no responsibility in this regard and does not intend to adjust or otherwise update these forward looking statements.

© Copyright SGL CARBON SE

® Registered trademarks of SGL CARBON SE