

**Broad Base. Best Solutions.**



**SGL GROUP**  
THE CARBON COMPANY

# Investor & Analyst Conference Call

Wiesbaden  
August 11, 2016

# Agenda.

1. Review of the first half year 2016 – Jürgen Köhler

2. Financials H1/2016

3. Outlook 2016

# Review of the half year 2016. Better operating result in CFM and GMS; PP classified as discontinued operations



- Business unit PP classified as discontinued operations after completed legal separation and progress in ongoing disposal process
- CFM generated highest half year result (EBIT of €12 million) since inception
- Adjusted for one-off effects in prior year GMS also posted higher EBIT
- H1/2016 recurring Group EBIT €10 million (H1/2015: minus €2 million) on nearly stable Group sales of €379 million (H1/2015: €385 million)
- Full year guidance adjusted to the new Group structure: Group sales slightly below prior year level and slight increase in Group EBIT

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2. Financials H1/2016 – Michael Majerus

3. Outlook 2016

# Composites - Fibers & Materials. Highest result since inception

in € million	H1/2016	H1/2015
Sales revenue	156.5	161.0
EBITDA*	22.0	14.6
ROCE <sub>EBITDA</sub> (in %)	10.5	3.8
EBIT*	12.2	3.9
EBIT*-Margin (in %)	7.8	2.4

- **Sales revenue** decreased mainly due to raw material driven sales decline in textile acrylic fibers, where pricing is based on acrylonitrile/crude oil price development
- Significant increase in recurring **EBIT**
  - Completion of ramp up at SGL ACF (joint ventures with BMW Group)
  - Higher volumes and thus better capacity utilization in our own 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 €1.6 million

# Graphite Materials & Systems. Higher EBIT after adjustment of positive one-time effects in H1/2015



in € million	H1/2016	H1/2015
Sales revenue	218.9	219.0
EBITDA before non-recurring charges*	24.4	27.7
ROCE <sub>EBITDA</sub> (in %)	13.0	12.6
EBIT before non-recurring charges*	13.5	16.6
EBIT-Margin before non-recurring charges* (in %)	6.2	7.6
EBIT	13.1	16.0

- **Stable sales revenue** (no currency impact)
  - Higher sales from solar, semiconductor, and LED industries
  - Offset by weaker North American business which was negatively impacted by reduced demand from energy related industries due to the low crude oil price
  - Demand for graphite (anode) materials for lithium ion battery industry continued at expected stable levels
- Recurring **EBIT** declined 19% 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 half year 2016
- **SGL Excellence savings** €4.4 million

# T&I and Corporate. Significantly lower expenses than prior year period



in € million	H1/2016	H1/2015
Sales revenue	4.0	5.3
EBITDA before non-recurring charges*	-12.8	-19.0
EBIT before non-recurring charges*	-16.1	-22.4
EBIT	-15.7	-23.0

- Recurring **EBIT** improved by 28% due to
  - lower provisions resulting from changed variable management remuneration components
  - general cost savings

# Group. Strong EBIT improvement driven by CFM, despite non-recurrence of positive one time effects in GMS



in € million	H1/2016	H1/2015
Sales revenue	379.4	385.3
EBITDA before non-recurring charges	33.6	23.3
ROCE <sub>EBITDA</sub> (in %)	8.7	3.1
EBIT before non-recurring charges	9.6	-1.9
Non-recurring charges	0.0	-1.4
EBIT	9.6	-3.3
Net financing result	-25.9	-23.2
Results from continuing operations before income taxes	-16.3	-26.5
Income tax expense and non controlling interests	-6.7	-1.3
Discontinued operations	-49.4	-55.9
Consolidated net result attributable to the shareholders of the parent company	-73.2	-85.0

- **Cost savings** from continuing operations of €6 million from SGL2015 in H1/2016, entirely attributable to SGL Excellence. Cost savings incl. discontinued operations reached €16 million in the reporting period and €218 million since inception of the SGL2015 program

# Free cash flow. Improvement compared to prior year period in free cash flow from continuing activities



in € million (continuing activities)	H1/2016	H1/2015
Cash flow from operating activities	-36.0	-103.8
Capital expenditures in property, plant and equipment and intangible assets	-9.2	-22.2
- thereof SGL ACF	-0.8	-8.7
- thereof SGL Group excluding SGL ACF	-8.4	-13.5
Cash flow from other investing activities*	-1.3	9.3
Free cash flow	-46.5	-116.7
Free cash flow from discontinued operations	-40.0	-7.5

- **Cash flow from operating activities** improved strongly by more than €60 million as a result of a higher result from continuing operations before taxes, the reduced working capital buildup in the reporting period, and the non-recurrence of negative cash effects from the termination of USD hedges in the previous year
- **Free cash flow from discontinued operations** included approx. €20 million cash-out for restructuring, particularly relating to the closure of the GE plant in Frankfurt-Griesheim, approx. €6 million for strategic projects (carve out, etc.) as well payments of approx. €16 million in connection with the disposal of HITCO's aerostructures activities

\*Dividends received, payments for capital contributions in At-Equity accounted investments and other financial assets, proceeds from sale of intangible assets and property, plant and equipment  
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## Balance sheet. Sufficient liquidity despite deteriorated ratios

in € million	30.06.2016	31.12.2015
Equity ratio (in %)	9.9	15.6
Total liquidity (incl. discontinued activities)	161.5	250.8
Net financial debt	619.9	534.2
Gearing (net debt/equity)	3.61	1.85

- **Equity ratio** declined due to the net loss of €73 million as well as the further adjustment of pension liabilities in Germany and the US based on lower long-term interest rates (impact on equity: minus €38 million after taxes)
- Higher **net financial debt** reflects mainly the reduced liquidity, resulting primarily from the buildup of working capital, as well as to one-time cash outflows in connection with the closure of the graphite electrode plant in Frankfurt-Griesheim and payments relating to the sale of HITCO's aerostructures business
- **Liquidity** at end of H1/2016 sufficient to more than cover expected operational cash outflow in 2016
- €200 million **syndicated loan** available and undrawn
- No **maturities** of any of our **financial debt** instruments until **January 2018** (convertible bond 2012/2018)

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# Business unit outlook 2016. Strong EBIT improvement in CFM accompanied by a stable trend in GMS



- **Composites – Fibers & Materials (CFM):** Close to stable sales and strong EBIT\* improvement. Higher sales with fibers and materials for composites to be offset by crude oil based pricing of textile acrylic fibers business. EBIT\* improvement based on higher volumes and cost savings. H1/2016 not to be extrapolated to full year as positively impacted by non-recurring high invoicing in HITCO's materials business during Q1/2016
- **Graphite Materials & Systems (GMS):** Stable sales and stable EBIT\*. Weaker demand from energy-related industries particularly in North America and a general economic uncertainty to be compensated by higher demand from solar, semiconductor, and LED industries and continued stable demand from lithium ion battery industry. EBIT\* to remain stable despite non-recurrence of positive one-time effects of the prior year due to anticipated higher volume in certain industries and cost savings.  $ROCE_{EBITDA}$  should continue to be close to our min. 15% Group target
- **T&I and Corporate:** Slightly higher expenses due to non-recurrence of positive one-off effects of the prior year

\*before non-recurring effects

## Group outlook 2016. Group KPIs partially benefitting from new group structure



- Full year **Group sales** slightly lower
- **Group recurring EBITDA\* and EBIT\***: Slight increase. Adjusted for positive one-time effects from previous year, EBIT expected to increase significantly
- **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 again significantly below D&A of approx. €50 million
- **Free cash flow**: expected on prior year level
  - Improved free cash flow from continuing operations due to better operational result and lower capex as well as non-recurrence of cash out for termination of USD-hedges in prior year
  - Offset by higher cash out for discontinued operations mainly driven by restructuring cash out for discontinued business unit PP
- **ROCE** to improve in line with EBIT and EBITDA development

\*before non-recurring effects

# 2016 negative free cash flow more than proportionately skewed to H1.

- H1 showed a typical seasonal working capital buildup plus a scheduled payment to Avcorp (buyer of HITCO's aerostructure activities) in January 2016 as well as expected restructuring cash out related to Frankfurt-Griesheim site closure in Q2
- Operationally, as expected, free cash flow started to improve from Q2 onwards

## Status of PP transaction.



We are confident about a transaction in H2/2016

- Detailed **information package** was sent to numerous interested parties at the end of April after signing respective NDAs
- Access to **data room, management presentations, site visits** for selected interested parties
- Based on discussions with both **strategic** and **financial** interested parties, we believe that a new owner for PP is the best way forward for both SGL Group and PP
- We are confident to **sign** a transaction in H2/2016

Thank you for your  
attention!

# Appendix

# Performance Products. Reclassified to discontinued operations as of June 30, 2016



in € million	H1/2016	H1/2015
Sales revenue	208.6	269.8
EBITDA before non-recurring charges*	-5.5	37.8
EBIT before non-recurring charges*	-19.8	16.9
EBIT-Margin before non-recurring charges* (in %)	-9.5	6.3
EBIT	-24.9	12.7

- Lower **sales revenue** (-23%) 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 €19.8 million from €16.9 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 (€10.0 million) were unable to compensate for the GE price effect

#### Important note:

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