

# Investor & Analyst Conference Call

**Wiesbaden**  
**August 10, 2017**

**Dr. Jürgen Köhler (CEO) and Dr. Michael Majerus (CFO)**

- 1. Review - Dr. Jürgen Köhler**
- 2. Results H1/2017**
- 3. Outlook 2017**

## **Review.** Former business unit Performance Products (PP) now entirely sold

- On August 8, 2017, we signed the sale agreement for the cathodes, furnace linings and carbon electrodes (CFL/CE) business to Triton for an Enterprise Value of €250 million and expect cash proceeds of more than €230 million. Upon closing, which is expected in the fourth quarter 2017, the sale will result in a book profit of approx. €130 million
- With this transaction, the former business unit Performance Products (PP) has been sold at a total Enterprise Value of approx. €600 million and at approx. €130 million above its book value on June 30, 2016, the date as of which the business was classified as held for sale
- With regards to the closing of the sale of the graphite electrode business to Showa Denko, we are in final discussions with the US authority on merger clearance. The outcome of these discussions will not have any impact on the agreed enterprise value or the expected cash proceeds. Nevertheless, we cannot rule out, from today's point of view, that closing may slip into the beginning of the fourth quarter 2017

# Review. Strong H1/2017 result



- Strong first half year 2017 confirms execution of growth strategy and allows slight upward adjustment of full year revenue outlook for GMS
- Group sales in H1/2017 improved significantly by 15% to €435 million driven by market segments energy, digitization, industrial applications, textile fibers, and mobility
- Recurring Group EBIT more than doubled to €22.5 million from €9.6 million in the prior year period
- Free cash flow from continued operations improved to minus €30 million (H1/2016: minus €47 million)
- First savings from Project CORE (COrporate REstructuring) harvested

# Review. Highlights from CFM



## Composites – Fibers and Materials

- Sale of Evanston closed April 3, 2017
- SGL Group leads UK-funded development project for carbon fiber based components for serial production in the automotive industry called “Thermoplastic Overmolding of Structural Composites for Automotive Applications” (TOSCAA) including Jaguar Land Rover as part of the consortium
- Continued build up of our new Lightweight and Application Center for future business with the automotive and aerospace industries
- Ceramic Brake Discs was able to enlarge existing contracts with important OEMs. As a consequence, we are expanding capacity to meet the needs of this increasing demand and to enable the further expansion of the business

# Review. Highlights from GMS



## Graphite Materials & Systems

- Battery & other energy: Earlier than expected, we realized capex expansion in Morganton (North Carolina, USA) following strong demand growth in graphite anode materials for lithium-ion batteries
- SGL Group received award from Wacker Chemie AG: As part of the “Wacker Supplier Day” SGL Group was given an award in the category “Best global partnership” for the joint work in 2016
- SGL Group invests in rigid felt production in China, and celebrates the tenth anniversary of its joint venture SGL Quanhai Carbon (SQC): Rigid felts based on specialty graphites are used as very high-quality insulation materials in industrial inert gas and vacuum furnaces for applications e.g. in the semiconductor and solar industry
- SGL Carbon SE acquires shares from Tokai Carbon Co. Ltd. in Asian Joint Venture SGL Tokai Process Technology (STPT): The three sites Shanghai (China), Yamanashi (Japan) and Kyung Ki-Do (South Korea) are being used to manufacture products and provide services in the Process Technology (PT) division

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# Composites - Fibers & Materials. Strong sales growth partially raw material cost driven

in € million	H1/2017	H1/2016
Sales revenue	176.2	156.5
EBITDA*	22.9	22.0
ROCE <sub>EBITDA</sub> (in %)	10.8	9.9
EBIT*	12.4	12.2
EBIT-Margin* (in %)	7.0	7.8

- **Sales revenue** increased by 13% (no currency impact)
  - Higher sales in the market segments **industrial applications** (esp. carbon fibers for injection molding applications), **textile fibers** (driven by higher oil based raw material prices with initial positive effect on selling prices) and **automotive**
  - Sales in the market segments **aerospace** and **wind energy** below prior year level
- As expected, stable **EBIT** despite
  - Improved profitability esp. in market segment **industrial applications** due to higher utilization rates in our carbon fiber plant in Scotland
  - Higher earnings in market segments **automotive** esp. as a result of higher profit contributions from our investments accounted for At-Equity Ceramic Brake Discs and Automotive Composites, and **aerospace** (despite lower sales)
  - Offset by
    - Lower earnings contribution from **textile fibers** (higher energy and raw material costs not yet fully passed on to customers)
    - Higher expenses relating to the buildup of the **Lightweight and Application Center**



# Graphite Materials & Systems. Stronger demand in nearly all market segments except chemicals

in € million	H1/2017	H1/2016
Sales revenue	255.1	218.9
EBITDA*	35.1	24.4
ROCE <sub>EBITDA</sub> (in %)	15.2	13.0
EBIT*	23.9	13.5
EBIT-Margin* (in %)	9.4	6.2

- **Sales revenue** up 17 % (currency adjusted 15%)
  - Higher demand for graphite anode materials for lithium ion battery industry in the market segment **battery & other energy**
  - Improved sales in the market segments **industrial applications** as well as in **solar, semiconductor, LED, automotive**
  - Partially offset by weaker business in the market segment **chemicals** which continues to be impacted by low capex spending in the chemical industry
- Recurring **EBIT** increased substantially by 77%
  - Significantly higher result in the market segments **battery & other energy** as well as **industrial applications**
  - Higher earnings contributions also from the market segments **semiconductor, automotive & transport**, and **solar**
  - Partially offset by lower earnings contributions from the market segment **chemicals** due to lower business volume

## Corporate. Lower expenses driven primarily by cost savings from project CORE

in € million	H1/2017	H1/2016
Sales revenue	4.0	4.0
EBITDA*	-10.9	-12.8
EBIT*	-13.8	-16.1

- Recurring **EBIT** improved by 14% due to cost savings from project CORE (COrporate REstructuring)
- The name of the former reporting segment T&I and Corporate was simplified to Corporate

# Group. Improvement driven by GMS, Corporate and discontinued operations.

in € million	H1/2017	H1/2016
Sales revenue	435.3	379.4
<b>EBITDA before non-recurring charges</b>	<b>47.1</b>	<b>33.6</b>
ROCE <sub>EBITDA</sub> (in %)	9.8	8.3
<b>EBIT before non-recurring charges</b>	<b>22.5</b>	<b>9.6</b>
Non-recurring charges	-6.8	0.0
EBIT	15.7	9.6
Net financing result	-26.2	-25.9
Results from continuing operations before income taxes	-10.5	-16.3
Income tax expense and non controlling interests	-7.0	-7.5
Result from discontinued operations, net of income taxes	13.9	-49.4
<b>Consolidated net result attributable to shareholders of parent company</b>	<b>-3.6</b>	<b>-73.2</b>

- **Net financing result** includes accelerated write off of remaining capitalized refinancing costs relating to the €250 million corporate bond with 2021 maturity as we will redeem it early following the closing of the GE sale to Showa Denko
- **Discontinued operations** significantly improved due to further operational improvement in CFL/CE and €4 million reversal of impairment losses from the remeasurement of the GE business at fair value less costs to sell in the reporting period; prior year period included negative tax impact related to PP carve out and restructuring charges in GE

# Free cash flow.

## Still negative but improved

in € million (continuing operations)	H1/2017	H1/2016
Cash flow from operating activities	-36.8	-36.0
Capital expenditures in property, plant and equipment and intangible assets	-14.7	-9.2
Cash flow from other investing activities*	21.8	-1.3
Free cash flow	-29.7	-46.5
Free cash flow from discontinued operations	-0.9	-38.0

- **Cash flow from operating activities** remained stable despite the increase in net working capital, which offset the improved result from continuing operations
- **Cash flow from other investing activities** improved significantly despite higher capital expenditures due to the cash inflow from the sale of the Evanston site, a land sale in Banting (Malaysia), as well as higher dividend payments from at equity accounted investments
- **Free cash flow from discontinued operations** nearly break even mainly driven by an improvement in operating cash flows of former business unit PP and despite higher capital expenditures and the final installment of \$9 million of the negative purchase price to the buyer of HITCO's aerostructures activities

\*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

## Balance sheet. Positive impact from PP disposals yet to come

in € million	30.06.2017	31.12.2016
Equity ratio (in %)	17.7	17.5
Total liquidity (incl. discontinued operations)	293.2	333.0
Net financial debt	477.0	449.4
Gearing (net debt/equity)	1.46	1.35

- **Equity ratio** improved slightly by 20bps mainly as a result of the decrease in total assets and despite the slight decrease in equity by 2%
- **Liquidity at end of H1/2017 more than sufficient** to cover expected operational cash outflow in 2017 – with expected proceeds of more than €200 million at closing of the GE sale we intend to **exercise our call on the €250 million corporate bond**. Remaining cash and proceeds from sale of CFL/CE will be more than sufficient to **meet the January 2018 maturity of the convertible bond issued in 2012**
- Early repayment of the corporate bond will make **a further €100 million available under the syndicated loan** which could be used for the repayment of the convertible bond (in case the CFL/CE sale closes after the maturity date of the convertible bond)
- Higher **net financial debt** reflects mainly the reduced liquidity, resulting primarily from the buildup of working capital (decrease in trade payables and increase in trade receivables), and the final installment of €9 million of the negative purchase price to the buyer of HITCO's aerostructures activities

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## Composites – Fibers & Materials (CFM)

- Slight\* increase in **sales**
  - Particularly driven by higher carbon fiber demand for **industrial applications** and higher prices in **textile fibers**
  - Slight increase in sales also in market segments **automotive**
  - Partially offset by lower sales with **aerospace** (higher level of invoicing in US aerospace materials in prior year) and **wind energy** market segment
- **EBIT\*\*** close to 2016 level
  - Operational improvements to be offset by ramp up of Lightweight and Application Center for new developments in automotive and aerospace applications
  - As in prior year, the first quarter will be strongest in the course of the year (high Q1/2017 utilization rate not sustainable in full year; Q1/2016 benefited from very high invoicing levels in US aerospace materials)
- **Non-recurring effects**
  - Closure of Evanston sale on April 3, 2017 led to a negative earnings effect from attributable cumulative currency translation differences amounting to €6 million as well as a cash inflow on book value level in the second quarter 2017

# Business Unit outlook 2017. GMS and Corporate



## Graphite Materials & Systems (GMS)

- Approx. 10% increase in **sales**
  - Growth in market segments **battery & other energy , LED, semiconductors,** and **industrial applications**
  - Market segment **solar** to significantly increase sales due to improved positioning and product portfolio
  - Partially offset by market segment **chemicals** as capex in chemical industry expected to stay subdued
- Strong **EBIT**\* improvement from higher capacity utilization and cost savings should allow GMS to reach Group minimum  $ROCE_{EBITDA}$  target of 15% also in the full year

## Corporate:

- Higher expenses due to non-recurrence of positive one-time effects in Q4 of prior year
- Like-for-like flat development - discontinuation of services to GE and CFL/CE to be compensated by CORE savings



# Group outlook 2017.

## Improvement in all major KPIs expected



- High single digit percentage growth in full year **Group sales**
- **Group recurring EBITDA\* and EBIT\*** to increase more than proportionately to sales due to expected volume increase and initial CORE savings
- **Net result – continuing operations** close to prior year level at a mid double digit million Euro loss
  - Prior year result included positive effect from sale of Evanston site
  - Higher net financing result in 2017 relating to planned early redemption of corporate bond (write-off of capitalized refinancing costs and acceleration fee)
- **Discontinued operations** to improve significantly\*\* driven by
  - Strong operational improvement in PP
  - Non-recurrence of negative tax impact related to PP carve out and one-off effects in GE in prior year
  - Book profit of approx. €130 million from CFL/CE sale upon closing

## Group outlook 2017. (cont.)

### Improvement in all major KPIs expected



- **Capex** to increase significantly\* compared to prior year and potentially slightly exceed depreciation should we bring forward some investments to realize additional growth opportunities
- **Free cash flow (continued operations)** expected more or less break even in remaining 2017
- **Net debt** at end 2017 to be substantially reduced due to expected cash proceeds from sale of GE and CFL/CE

**Thank you for your attention!**

# Important note.

## Important note:

This presentation contains statements relating to certain projections and business trends that are forward-looking, including statements with respect to SGL Group's outlook and business development, including developments in SGL Group's Composites - Fibers & Materials and Graphite Materials & Systems businesses, expected customer demand, expected industry trends and expected trends in the business environment, statements with respect to the sale of the graphite electrodes (GE) business and the expected sale of the cathodes, furnace linings, and carbon electrodes (CFL/CE) businesses, statements related to SGL Group's cost savings programs and statements with respect to the intention to conduct a share capital increase. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. These statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about SGL Group's businesses and future financial results, and readers should not place undue reliance on them. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. These risks and uncertainties include, without limitation, changes in political, economic, legal and business conditions, particularly relating to SGL Group's main customer industries, competitive products and pricing, the ability to achieve sustained growth and profitability in SGL Group's Composites - Fibers & Materials and Graphite Materials & Systems businesses, the impact of any manufacturing efficiencies and capacity constraints, widespread adoption of carbon fiber products and components in key end-markets of the SGL Group, including the automotive and aviation industries, the inability to execute additional cost savings or restructuring measures, availability of raw materials and critical manufacturing equipment, trade environment, changes in interest rates, exchange rates, tax rates, and regulation, available cash and liquidity, SGL Group's ability to refinance its indebtedness, development of the SGL Group's pension obligations, share price fluctuation, the satisfaction of the closing conditions for the disposition of the graphite electrodes (GE) business, including obtaining relevant regulatory approvals, the possibility that the length of time necessary to consummate the disposition of the graphite electrodes (GE) business may be longer than anticipated, the achievement of the expected benefits of the disposition of the graphite electrodes (GE) business, the possibility that the SGL Group may suffer as a result of uncertainty surrounding the disposition of the graphite electrodes (GE) business, the anticipated effect of the disposition of the graphite electrodes (GE) business may have on SGL Group's financial condition and results of operations, the ability to sell the cathodes, furnace linings, and carbon electrodes (CFL/CE) businesses at a price satisfactory to SGL Group or at all and other risks identified in SGL Group's financial reports. These forward-looking statements are made only as of the date of this document. SGL Group does not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

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