



Investor & Analyst Conference Call

Wiesbaden
November 09, 2017

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

- 1. Review - Dr. Jürgen Köhler**
- 2. Results 9M/2017**
- 3. Outlook 2017**
- 4. Acquisition of Benteler SGL**

Review. Strategic realignment largely completed



- As the final step in the disposal process of our former business unit Performance Products (PP), we closed the sale of the CFL/CE business to Triton on November 2, 2017. Based on an enterprise value (cash and debt free) of €250 million, cash proceeds amounted to approx. €230 million after deduction of standard debt-like items (mainly pension provisions) as well as other customary adjustments. The final proceeds will be determined based on the balance sheet as of October 31, 2017
- 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
- Early redemption of the €250 million corporate bond was completed on October 30, 2017 with proceeds from the sale of the graphite electrode (GE) business (after SGL Group closed the GE sale to Showa Denko on October 2, 2017) and the December 2016 rights issue. The redemption will result in annual savings of approx. €13 million from 2018 onwards due to the absence of interest expenses and refinancing costs
- The convertible bond with an original nominal of €240 million will be redeemed at maturity in January 2018 with the proceeds from the sale of the CFL/CE business. The redemption of this convertible bond will result in annual savings of approx. €12 million from 2018 onwards due to the absence of interest expenses, imputed interest components, and refinancing costs

Review. Strong 9M/2017 result



- Strong 9 months 2017 result confirms execution of growth strategy and allows slight upward adjustment of full year outlook
- Group sales in 9M/2017 improved significantly by 14% to €642 million driven by market segments energy, digitization, industrial applications, mobility, and textile fibers
- Recurring Group EBIT more than doubled to €33 million from €12.8 million in the prior year period
- Free cash flow from continued operations improved to minus €37 million (9M/2016: minus €74 million)
- First savings from Project CORE (COrporate REstructuring) harvested

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2. **Results 9M/2017 - Dr. Michael Majerus**
3. **Outlook 2017**
4. **Acquisition of Benteler SGL**

Composites - Fibers & Materials. Sales growth driven in particular by industrial applications and automotive



in € million	9M/2017	9M/2016
Sales revenue	253.9	234.5
EBITDA*	32.8	32.5
ROCE _{EBITDA} (in %)	10.6	9.4
EBIT*	17.2	16.8
EBIT-Margin* (in %)	6.8	7.2

- **Sales revenue** increased by 8% (currency adjusted by 10%)
 - Higher sales in the market segments **industrial applications** (esp. carbon fibers for injection molding applications), **automotive**, **aerospace**, and **textile fibers** (driven by higher oil based raw material prices at the start of the year)
 - Sales in the market segment **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 contribution from Automotive Composites (investment accounted for At-Equity)
 - Slightly higher earnings in **aerospace** and stable earnings in **wind**
 - Offset by
 - Lower earnings contribution from **textile fibers** (higher energy and raw material costs)
 - Higher expenses relating to the buildup of the **Lightweight and Application Center**

* Before non-recurring items of minus €6.0 million in 9M/2017 and €0.0 million in 9M/2016

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



in € million	9M/2017	9M/2016
Sales revenue	381.5	321.4
EBITDA*	54.4	35.3
ROCE _{EBITDA} (in %)	17.4	12.0
EBIT*	37.5	18.8
EBIT-Margin* (in %)	9.8	5.8

▪ **Sales revenue** up 19 % (no currency impact)

- Higher demand for graphite anode materials for lithium ion battery industry in the market segment **battery & other energy** and from customers from the **LED** industry
- Improved sales also in the market segments **solar, semiconductor, automotive & transport** as well as in **industrial applications**
- After two quarters with decreasing sales resulting from low capex spending in the chemical industry, performance in Q3 improved significantly in the market segment **chemicals**

▪ **Recurring EBIT** doubled

- 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, solar, and chemicals**

* Before non-recurring items of €1.0 million in 9M/2017 and minus €0.5 million in 9M/2016

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



in € million	9M/2017	9M/2016
Sales revenue	6.7	6.2
EBITDA*	-17.1	-18.8
EBIT*	-21.7	-22.8

- Recurring **EBIT** improved by 5% due to cost savings from project CORE (COrporate REstructuring) which offset higher expenses for Corporate Innovation
- The name of the former reporting segment T&I and Corporate was simplified to Corporate

*before non-recurring items of €0.0 million in 9M/2017 and minus €0.1 million in 9M/2016

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



in € million	9M/2017	9M/2016
Sales revenue	642.1	562.1
EBITDA before non-recurring charges	70.1	49.0
ROCE _{EBITDA} (in %)	10.7	7.8
EBIT before non-recurring charges	33.0	12.8
Non-recurring charges	-5.0	-0.6
EBIT	28.0	12.2
Net financing result	-38.6	-38.7
Results from continuing operations before income taxes	-10.6	-26.5
Income tax expense and non controlling interests	-9.6	-2.9
Result from discontinued operations, net of income taxes	25.5	-94.7
Consolidated net result attributable to shareholders of parent company	5.3	-124.1

- **Net financing result** includes accelerated write off of remaining capitalized refinancing costs relating to the €250 million corporate bond with 2021 maturity which was redeemed early on October 30, 2017
- **Discontinued operations** significantly improved due to further operational improvement in CFL/CE and approx. €7 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 impairment loss relating to sale of GE

Free cash flow.

Still negative but improved



in € million (continuing operations)	9M/2017	9M/2016
Cash flow from operating activities	-27.2	-50.9
<i>Capital expenditures in property, plant, equipment and intangible assets</i>	-30.3	-22.0
<i>Cash flow from other investing activities*</i>	20.1	-1.5
Cash flow from investing activities	-10.2	-23.5
Free cash flow	-37.4	-74.4
Free cash flow from discontinued operations	4.1	-16.0

- **Cash flow from operating activities** improved significantly, driven by the improved result from continuing operations and despite the increase in net working capital
- **Cash flow from investing activities** substantially improved despite increased 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** clearly improved and turned slightly positive mainly driven by an improvement in operating cash flows of former business unit PP and the absence of restructuring cash-outs

*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 and corporate bond redemption to be visible in Q4/2017



in € million	30.09.2017	31.12.2016
Equity ratio (in %)	17.6	17.5
Total liquidity (incl. discontinued operations)	292.6	333.0
Net financial debt	477.3	449.4
Gearing (net debt/equity)	1.47	1.35

- **Equity ratio** improved slightly by 10bps mainly as a result of the decrease in total assets and despite the slight decrease in equity
- With proceeds of more than €230 million at closing of the GE sale, we **exercised our call on the €250 million corporate bond which was redeemed on October 30, 2017**. Remaining cash and proceeds from sale of CFL/CE more than sufficient to **meet the January 2018 maturity of the convertible bond issued in 2012**
- Higher **net financial debt** reflects mainly the reduced liquidity, resulting primarily from the buildup of working capital, 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 **automotive**
 - Slight increase in sales also in market segment **textile fibers**
 - Stable/slightly lower sales in **aerospace** (higher level of invoicing in US aerospace materials in prior year)
 - Lower sales in **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 was 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

Graphite Materials & Systems (GMS)

- Slightly above 10% increase in **sales** (2nd upward revision this year)
 - Growth in market segments **battery & other energy, LED, semiconductors, industrial applications, and automotive & transport**
 - Market segment **solar** to significantly increase sales due to improved positioning and product portfolio
 - Market segment **chemicals** to remain stable. After weakness in Q1 and Q2, Q3 showed a nice recovery
- 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 - higher expenses for Corporate Innovation to be compensated by CORE savings
- Initial expenses in Q4 possible due to the launch of the new "SGL Operations Management System"

Group outlook 2017.

Improvement in all major KPIs expected



- Approximately 10% 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 - however EBIT in Q4 expected to be the lowest in the course of the year due to planned plant shutdowns/holidays
- **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 the early redemption of corporate bond (write-off of capitalized refinancing costs and acceleration fee)
- **Discontinued operations** to improve significantly**
 - Strong operational improvement in PP and 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
 - Negative impact in Q4/2017 from disposal of GE and CFL/CE due to P&L accounting of accumulated FX adjustments of both entities, which should be mostly compensated by the reversal of impairment charges from the remeasurement of GE at fair value less costs to sell due to the better than anticipated operational performance

Group outlook 2017. (cont.)

Improvement in all major KPIs expected



- **Capex** to increase significantly* compared to prior year, but remain approx. on the level of depreciation
- **Free cash flow (continued operations)** in Q4/2017 to be impacted by back-end loaded capex and effects from closing and deconsolidation of GE and CFL/CE (will reverse in 2018)
- **Net debt** at end 2017 to be substantially reduced due to cash proceeds from sale of GE and CFL/CE and despite a mid double-digit million euro impact from acquisition of remaining 50% stake in Benteler SGL
- **Discontinued operations** to receive a further mid double-digit million euro payment in Q1/2018 from the GE sale based on current assumptions and following the mutual agreement on the closing balance sheet

Sneak preview on 2018.



- **Positive market trends** seen in 2017 to **continue in 2018** – in some cases to strengthen even further e.g. **anode materials for lithium ion batteries**
- **Foreign currency exchange rates moving in an unfavorable direction:** 2017 benefited from favorable currency hedging transactions; this tailwind is not repeatable in 2018
- **Overall costs** expected to be impacted by
 - Higher wages for employees expected esp. in Germany (particularly relating to the metalworking trade union)
 - Expiration of service level agreements with former PP activities following their disposal
 - Anticipated higher raw material costs e.g. acrylonitrile in CFM and raw materials in GMS
- **Detailed outlook to be presented on March 14, 2018 with publication of our annual report**

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Acquisition of Benteler SGL. Provides the right component platform for the business unit CFM



Leading large-scale serial manufacturer for automotive composite parts

Business process competencies	Technology competencies
<ul style="list-style-type: none">▪ Strong automotive mind-set▪ Proximity to automotive customers▪ Process capabilities and systems to handle quotations, automotive logistics, and development projects▪ Supporting quality management and tools incl. ISO/TS 16949▪ Experienced team (commercial, engineering, and technical)	<ul style="list-style-type: none">▪ Development and prototyping capabilities▪ Pilot line equipment (close to serial production equipment)▪ Track record in the industrialization of large scale production processes incl. automation▪ Existing technologies (wet press, RTM) can serve as basis for future modification/ expansion

Background & objectives

- Acquisition of 50% share from Benteler Automobil Technik (BAT) in JV B-SGL to achieve 100% of control
- Complete integration of Benteler SGL into the business unit CFM will significantly strengthen the automotive activities of the business unit and provide synergies
- Privileged partnership with Benteler Automotive Technologies (BAT) in the area of composite leaf springs for chassis systems
- Continuation of the growth path in structural composite components
- Leverage synergies throughout the SGL value chain (i.e. captive use of carbon fibers)

Acquisition of Benteler SGL. An attractive investment case for SGL Group



- **Long-term market growth** is expected to continue (CAGR 2017-2026 >10% p.a.) driven by **major automotive technology trends** incl. battery electric mobility, lightweight, multi material design concepts and local composite reinforcements
- **Key value driver 1: Sustainable mid-term growth.** Benteler SGL's leading technology positions and project portfolio allow growth with or above market rate. Structural parts and leaf springs as two complementary business segments. Established partnerships with OEMs incl. privileged partnership with BAT (leaf springs/suspension systems). Upside from offering technology to other industries
- **Key value driver 2: Long-term growth perspective.** Leverage technology platform and manufacturing experience to establish CFM as leading 1st tier supplier. Several project/program discussions are related to SOPs beyond five years planning horizon

Acquisition of Benteler SGL. An attractive investment case for SGL Group (cont.)



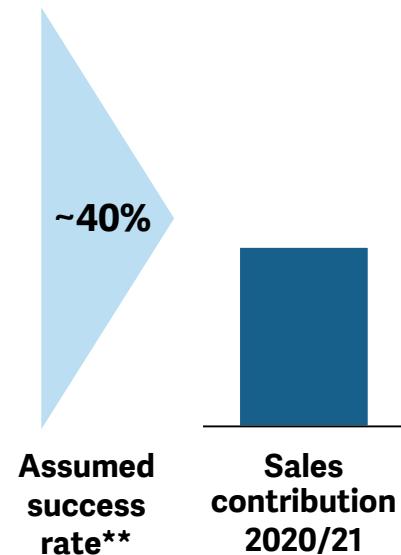
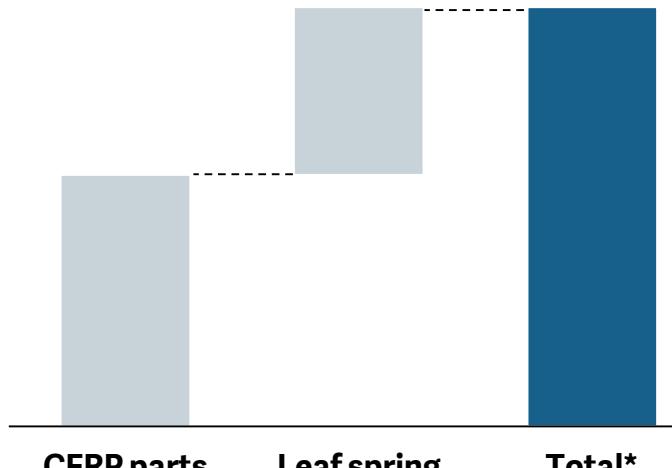
- **Key value driver 3: Enabling of CFM projects.** Customers/partners expect SGL Group to demonstrate and guide how to design and develop solutions and how to industrialize manufacturing. Already today, Benteler SGL serves as an important partner in particular for OEMs who are less experienced with composites, e.g. Asian car producers
- **Key value driver 4: Synergies from the integration into the business unit CFM.** Shared resources in business development, sales, engineering, industrialization, quality management, and usage of pre-materials from the SGL Group value chain incl. gross margin and working capital benefits. Benteler SGL has appropriate business process and technology competencies and the team can make a strong nucleus for automotive business within CFM

Acquisition of Benteler SGL. Current JV project pipeline



Benteler SGL project pipeline analysis

Annual sales in m€



Current JV project pipeline expected to generate additional low to mid double digit million euro sales by 2020/21

Acquisition of Benteler SGL. Financial impact



Financial impact on KPIs (based on expected closing mid-December)

- Sales FY 2017 Negligible
 - EBITDA FY 2017 Negligible
 - Net debt at end 2017 mid double-digit million euro increase
 - Sales FY 2018 Additional sales (low to mid-double digit million euro amount)
 - EBITDA FY 2018 Small positive impact



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.