



Investor & Analyst Conference Call on New Five-Year Plan

Wiesbaden
December 18, 2018

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

- 1 Strategic & operational aspects: Dr. Jürgen Köhler**
- 2 Financial aspects & summary: Dr. Michael Majerus**

SGL Carbon.

New five-year plan to capture additional mid-term growth opportunities

Background:

- **GMS** is performing very well
- Automotive and Aerospace in **CFM** performing well, temporary weakness in Wind Energy and Textile Fibers market segments which we believe can be overcome mid-term with measures being implemented
- We are targeting a Group **recurring EBIT in 2019** at the level of 2018 (incl. IFRS15 impact)
- **Strong growth** in recent years in market segments Battery & other Energy, LED, and Automotive & Transport in **GMS** have led to **full capacity utilization** in those production value chains
- New investment program over **3 years** with **€80m additional capex** in total results in **higher mid-term targets** for Group **sales** and **EBIT**
- Despite growth driven higher capex and working capital requirements, **free cashflow** target only postponed by one year – balance sheet KPIs, net profit and free cash flow targets for 2022 unchanged
- **Financing** for the existing liabilities and the business growth achievable without additional equity measure
- Stronger organic growth achievable within our financial targets for **equity ratio** and **leverage ratio** and **gearing** target to be only temporarily exceeded. We intend to adhere to our **financial discipline** as communicated and demonstrated in the last years

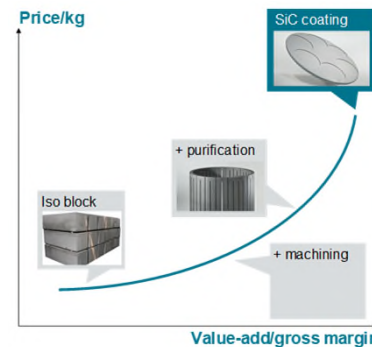
SGL Carbon.

New capex spending mainly allocated to GMS

New growth program with €80m additional capex to be spent over three years (2019 – 2021)

GMS capex projects:

- **Battery & other Energy (GAM¹):**
 - Capacity expansion at low cost site Poland
 - Favorable market position esp. with Panasonic
 - Modular expansion strategy
- **LED:**
 - Capacity expansion in SiC²-coating
 - Move to Asia to be near our customers and to mitigate potential risks from trade barriers
 - Highly innovative product
- **Automotive & Transport:**
 - Expansion at our site in Bonn (Germany)
 - Parts for brake assistant and cooling water pumps



CFM capex projects:

- **Automotive:**
 - Capacity expansion for new leaf spring customer
- **Textile Fibers:**
 - Conversion of textile fiber line to precursor in Portugal

SGL Carbon.

Structural growth drives most of our market segments

CFM:

- **Automotive:**
 - Lightweight construction is a structural growth driver driven by emission reduction regulations
- **Aerospace:**
 - Lightweight construction is driven mainly by fuel consumption considerations

GMS:

- **Battery & other Energy:**
 - LiB is a structural growth market, strongly driven by EV
- **Solar:**
 - Trend toward renewable energies
- **Semiconductor:**
 - Increasingly driven by Internet of Things, and (semi)autonomous driving, artificial intelligence, cloud, etc.
- **LED:**
 - LED will substitute other lighting technologies
- **Automotive & Transport:**
 - Major part of the business not affected by general automotive cycle

Composites – Fibers & Materials (CFM).

Strategic segments performing better than plan

Performance of projects in the market segments of CFM compared to expectations from early 2018

- **Automotive:** ↗
 - Former SGL ACF activities:
 - BMW i3 selling better
 - New BMW iNEXT contract
 - Former Benteler SGL activities:
 - New contracts for leaf springs and composite components
 - New contract for battery cases for electric vehicles
- **Aerospace:** ↗
 - Insulation material
- **Wind Energy:** ↘
 - Exit of JV with Kumpers, auction schemes in wind, main customers under pressure, technology shift
- **Textile fibers:** ↘
 - Non-core; bridging business to secure our own precursor
 - Raw material cost increase, increased competition also with other fibers



Weakness in Wind Energy and non-core Textile Fibers expected to be only temporary.
Strategic segments Automotive and Aerospace performing above expectations

Graphite Materials & Systems (GMS).

Strong operating performance in 9M/2018

Nearly all market segments in GMS showed a better than expected performance compared to early 2018

- **Battery & other Energy:** ↗
 - GAM business benefitting from price increases and strong customer demand
- **Semiconductor:** ↗
 - Strong demand
- **LED:** ↗
 - Strong demand
- **Automotive & Transport:** ↗
 - Strong demand
- **Chemicals:** ↗
 - Strong demand
- **Industrial Applications:** →
 - Slightly above previous year
- **Solar:** (↘)
 - We have consciously restricted sales and redirected to higher margin applications such as Semiconductor and LED to enhance overall margins

 All market segments except Industrial Applications and Solar (which was internally driven) showed strong growth

- 1 **Operational & strategic aspects: Dr. Jürgen Köhler**
- 2 **Financial aspects & summary: Dr. Michael Majerus**

SGL Carbon.

New five-year plan to capture additional mid-term growth opportunities

Impact on sales and EBIT targets:

Sales target for 2022 increased by an additional high double digit €m amount

EBIT target for 2022 increased by an additional low double digit €m amount

ROS (**EBIT-margin**) target for 2022 unchanged

Free cash flow and ROCE target:

Despite additional capex of €80m to be spent in the next 3 years, **positive free cash flow** and **9% ROCE** target to be reached only one year later than previously planned

Positive free cash flow target as per previous plan considered **achievable** if we would not pursue these additional growth opportunities

Our strategy is to **optimize** our **free cash flow sustainably** and not for the short-term

Impact on balance sheet targets:

Net debt/EBITDA to remain below 2.5

Equity ratio to remain above 30%

Gearing target of 0.5 remains a key performance indicator mid-term – even though target may be temporarily exceeded in 2019 and 2020 to accommodate **attractive growth projects**

SGL Carbon.

EBIT guidance for 2019

EBIT guidance for 2019:

Flat **EBIT** compared to FY2018 expected

Main reasons:

- Positive **IFRS 15** impact in 2018 stronger than initially expected
- No additional IFRS 15 impact expected in 2019
- Improvement in GMS to be offset by temporary weakness in the market segments Wind Energy and Textile Fibers in CFM

IFRS 15 impact. Stronger than expected positive impact from initial adoption of IFRS 15 in FY2018

IFRS 15:

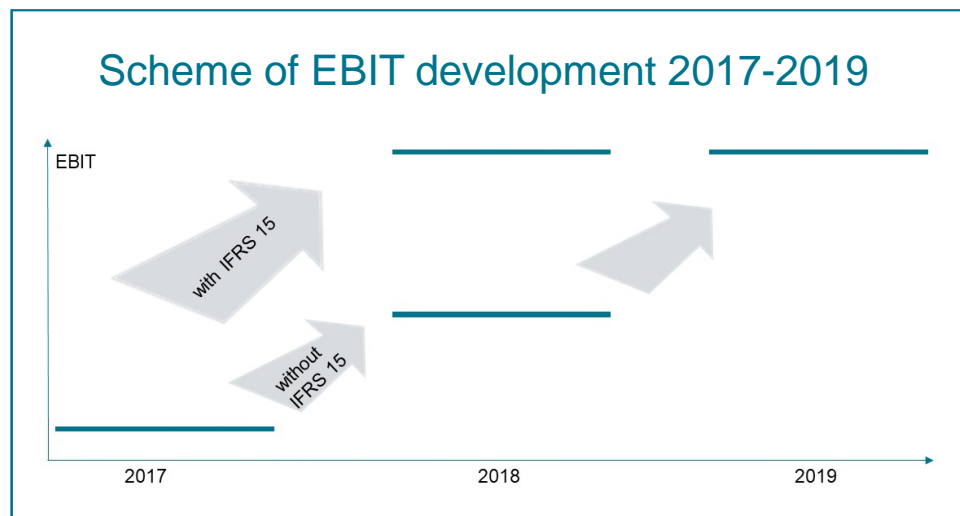
IFRS 15 is applicable to businesses with customer-specific and order-related products. Sales are recognized already during production. A positive impact is due to higher prices and/or higher volumes. Main impact in FY2018 related to our GAM business (market segment Battery & other Energy in GMS)

Impact from IFRS 15 in 2018:

Sales: low double digit €m amount

EBIT: high single digit to low double digit €m amount

Impact from IFRS 15 on our P&L has been revised upward two times in 2018



IFRS 15 impact going forward:

No impact to our plan for 2019 as we are operating near full utilization level and expecting stable prices going forward in our GAM business

- EBIT expectations for 2019 are unchanged compared to the previous five-year plan of December 2017. However, 2018 was better than previously planned due to price increases in GAM and the faster recognition of this impact in our P&L due to initial adoption of IFRS 15

SGL Carbon.

Existing debt with maturity until end of 2020

Existing material financial debt and purchase price liability with near-to-mid-term maturity (September 30, 2018):

Nominal	Maturity	Details
€130* million	12/2020 (or earlier)	Loan from BMW Group for the set-up of the former SGL ACF JV
€167 million	09/2020	Convertible bond, 3.5% coupon
<u>\$62 million</u>	12/2020 (or earlier)	Purchase price liability for Moses Lake (to be paid to BMW Group)
~€350 million		Total

€247.4 million

Liquidity (September 30, 2018)

up to €275 million

Refinancing considerations via debt market instrument

Up to €275 million planned refinancing via debt market instrument.

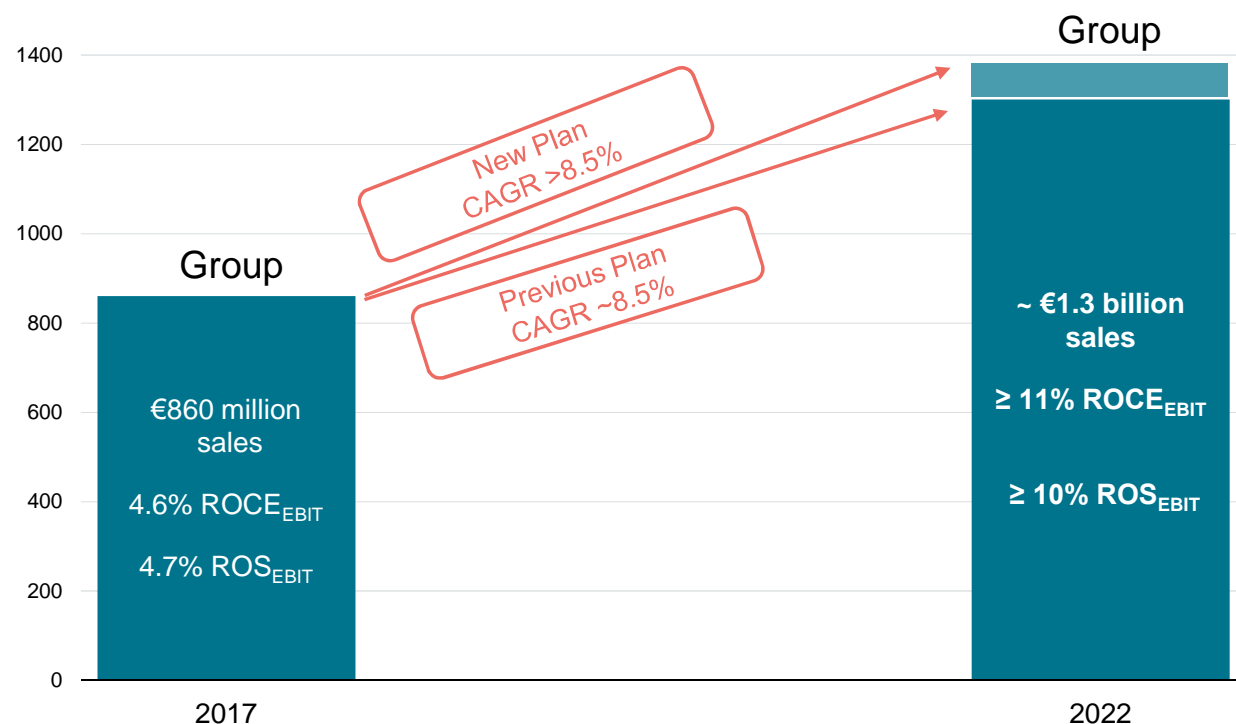


Capex for new investments to be financed out of existing liquidity.

Existing 2020 maturities and new five-year plan considered achievable without equity raising measures

Growth & profitability targets.

We adjusted our mid-term targets in December 2018 to reflect new growth opportunities



Additional 2022 targets:

Net profit margin ~ 6–7%

Free cash flow margin ~ 5%

Business Unit 2022 targets:

ROS_{EBIT} ≥ 12%

Impact of new growth program on previous sales and EBIT targets for 2022:

Higher sales and unchanged margin targets **add low double digit million €** amount to our **EBIT** target for 2022

➤ Driver for ROCE improvement:
Top line growth, higher margin products, efficiency improvements

Note: EBIT always refers to EBIT before non-recurring items

New Five-Year Plan.

Summary (1)

- Attractive basket of new projects to capture existing **growth opportunities**.
- **Faster growth** in coming years considered achievable compared to previous plan – accordingly, we increased our 2022 sales and EBIT targets
- As most of our **new capex** projects are allocated to **structural growth** businesses, we expect cyclical developments to have limited impact to achieve the **expected returns** of growth investments
- Despite capex step up to fund additional growth opportunities, free cash flow and ROCE target for 2020 postponed only by one year; **balance sheet KPIs**, **net profit** and **free cash flow** targets for 2022 remain **unchanged**
- Up to €275 million planned **refinancing** via **debt market** instrument
- Better than initially expected EBIT 2018 driven by strong operating performance and support from initial adoption of **IFRS 15**
- **EBIT 2019** expectations in line with our previous planning and therefore overall no deviation to our expectations. Better than expected performance in GMS anticipated to compensate for likely weaker development in wind energy and textile fibers business of CFM

New Five-Year Plan. Summary (2)

- **Strong GMS** performance expected to continue. **CFM temporary weakness** from the market segments Wind Energy and Textile Fibers. **Automotive** and **Aerospace**, the most important drivers for profitable growth in CFM, are performing better than expected, but due to development cycles in these industries, this positive development is not yet impacting our P&L 2019, but only in subsequent years. Therefore we continue to expect to come back to our old growth path despite lower earnings in 2019
- Overall, **no fundamental changes** compared to our previous plan



Thank you for your attention !



Important Note

This presentation contains statements relating to the future business and financial performance of and future events or developments involving SGL Group or its businesses, including statements with respect to SGL Group's outlook, targets and business development, expected customer demand, expected industry trends and expected trends in the business environment. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "target," "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 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 may have on SGL Group's financial condition and results of operations and other risks identified in SGL Group's financial reports. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of the SGL Group may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. 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.

This document includes supplemental financial measures that are or may be alternative performance measures (non-IFRS or alternative performance measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of SGL Carbon's net assets and financial positions or results of operations as presented in accordance with IFRS in SGL Carbon's consolidated financial statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

© Copyright **SGL Carbon SE**

® Registered trademarks of **SGL Carbon SE**