

# Investor & Analyst Conference Call

Wiesbaden  
August 6, 2019

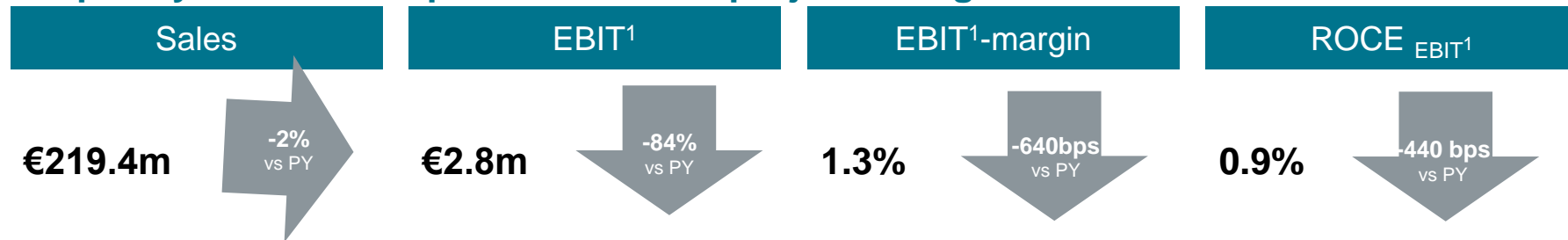
Dr. Jürgen Köhler (CEO) and Dr. Michael Majerus (CFO)



- 1 Results H1/2019**
- 2 Outlook 2019**

# Composites – Fibers & Materials.

Sequential improvement in Q2/2019 but overall H1/2019 still adversely affected by temporary unfavorable product mix and project billings scheduled for H2/2019

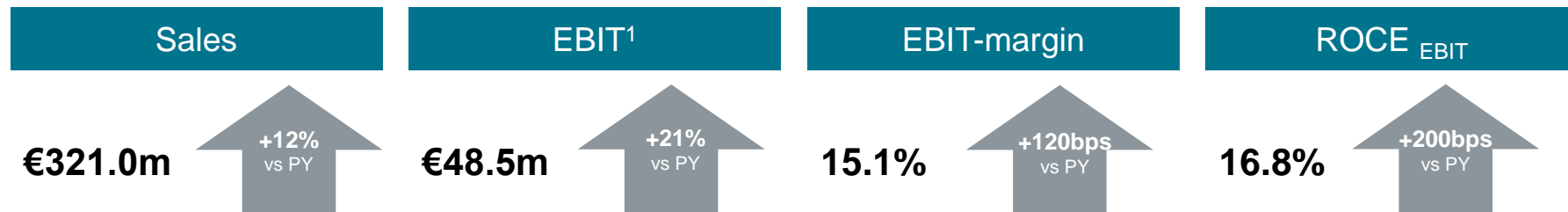


- **Sales revenue** in H1/2019 almost on prior year level (currency adjusted minus 3%)
  - Strong growth in market segment **Wind Energy** (albeit from a very low base) offset by market segments **Industrial Applications** (weakening global economy) and **Aerospace** (project billings skewed to H2/2019)
  - Remaining market segments **Automotive** and **Textile Fibers** approximately on prior year level
- **EBIT<sup>1</sup>** in Q2/2019 slightly increased over Q1/2019 due to anticipated improvement in market segment **Textile Fibers**
- Overall **EBIT<sup>1</sup>** in H1/2019 substantially below prior year level
  - Mainly due to earnings decline in market segments **Automotive** (temporary unfavorable product mix), **Aerospace** (different billing patterns) and **Textile Fibers** (temporary margin contraction from inventory of higher priced raw materials) in Q1/2019
  - Higher sales in **Wind Energy** did not stabilize earnings due to temporary unfavorable product mix and deliveries pushed out to H2/2019
  - Earnings improvement in market segment **Industrial Applications** unable to fully compensate for above trends

<sup>1</sup> before non-recurring items of minus €4.3 million in H1/2019 and €23.3 million in H1/2018

# Graphite Materials & Systems.

## H1/2019 improvement driven by strong demand in most market segments

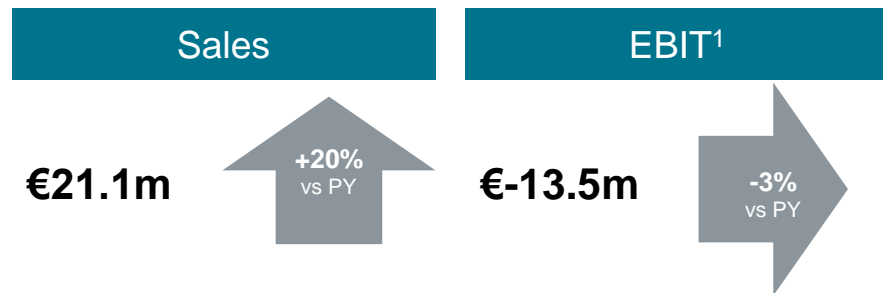


- **Sales revenue in H1/2019** up 12% (currency adjusted by 9%)
  - Substantial double digit growth in market segments **Semiconductors**, **LED**, and **Automotive & Transport**
  - Strong demand increase also in **Industrial Applications** and **Chemicals**
  - **Battery & other Energy** close to prior year level as expected
  - Sales to market segment **Solar** again limited to below prior year level as supply to **LED** and **Semiconductor** industries again prioritized
- **EBIT<sup>1</sup> in H1/2019** increased by 21% and thus more than proportionately to sales
  - Due to improvements in most market segments
  - **Solar** remained slightly below prior year level
  - Despite strong increase in sales, **Automotive & Transport** below prior year level due to customary ramp-up costs for new projects

<sup>1</sup> before non-recurring items of €0.4 million in H1/2018

# Corporate.

## Improved result in Q1/2019 after adjusting for one-time gain from a land sale in Q1/2018

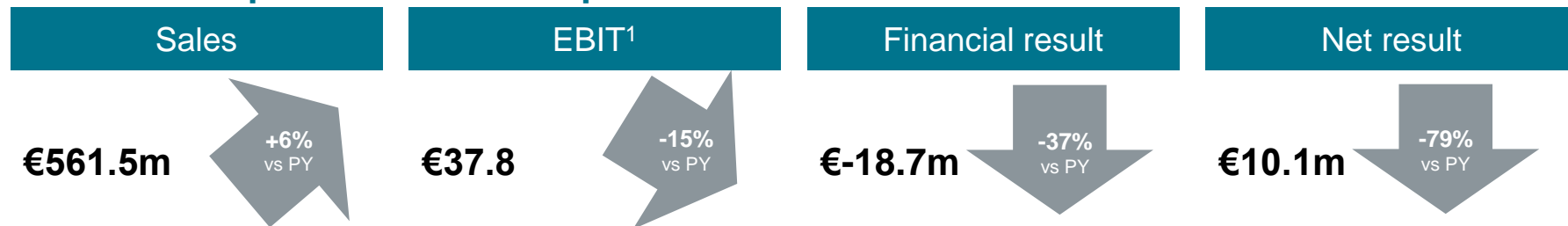


- Higher **sales revenue** resulting primarily from stronger demand in the market segment **Energy** relating to parts for fuel cell customers supplied by our central research and development department (Central Innovation)
  - Accordingly, sales revenue at Central Innovation doubled in the reporting period to €5.3 million
- **EBIT** remained close to the prior year level on a reported basis – however, adjusted for a €3.9 million one-time gain from a land sale in the prior year period, EBIT improved substantially due to
  - Lower expenses following the implementation of the Operations Management System (OMS) in the prior year
  - High one-time income from services provided to the former graphite electrode business
  - Central Innovation net expenses of €3.4 million below prior year level of €4.1 million due to higher earnings contribution from business with parts for fuel cells

<sup>1</sup> before non-recurring items of €3.1 million in H1/2018

# Group.

Adjusted for one-time gain from a land sale in the prior year period, improvement in GMS and Corporate almost compensated for lower CFM contribution

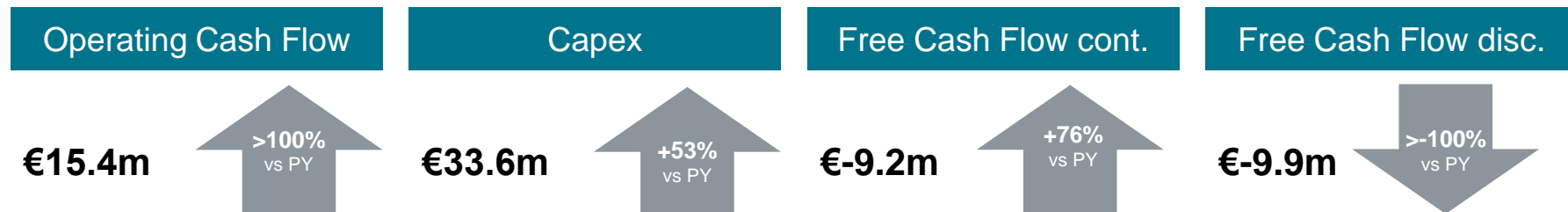


- **Recurring EBIT** declined by 15% to €37.8 million due to gain from a land sale in prior year period (impact of €3.9 million in Q1/2018). Excluding this effect in the prior year period, EBIT would have been only 6% lower as higher earnings contribution from GMS and lower expenses in Corporate almost entirely compensated for lower CFM contribution
- **Net financing result** deteriorated due to higher interest expenses from new convertible bond issued in September 2018, new corporate bond issued in April 2019 as well as from the first time adoption of IFRS 16.
- Lower **net result** due mainly to non-recurrence of positive non-recurring items of approximately €28 million from the full consolidation of former JV with BMW (SGL ACF) in the prior year period and lower financial result in the reporting period

¹before non-recurring items of minus €4.3 million in H1/2019 and €26.8 million in H1/2018

# Cash flow.

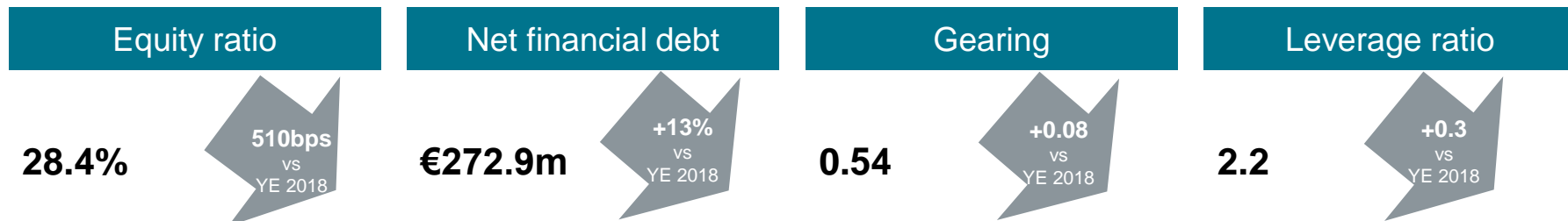
## Improvement in free cash flow due to lower increase in working capital



- **Cash flow from operating activities** improved significantly to €15.4 million from minus €7.8 million due to
  - lower increase in working capital and
  - a higher positive non-cash effect from IFRS15 in the prior year result
- **Free cash flow** also improved significantly to close to break even level due to
  - Improvement in operating cash flow and
  - Lower cash outflow from investing activities despite significantly higher capex as prior year period included payment for German part of SGL ACF (Wackersdorf site)
- **Free cash flow from discontinued operations** included
  - Cash outflow relating to final settlement payments to the buyer of HITCO Aerostructures in the reporting period
  - Cash inflow from the final outstanding payments for the sale of former PP activities in the prior year

# Balance sheet.

## Financial ratios as of June 30, 2019 remain sound



- **Equity ratio** deteriorated due to temporarily inflated total assets (will decrease again in Q3/2019 as convertible bond 2015/2020 has been paid back prematurely in July 2019) and decreased equity from adoption of lower interest rates on pension liabilities
- Adjusting for early repayment of convertible bond 2015/2020 **pro forma equity ratio** as of June 30, 2019 would have been 31.5%
- Higher **net financial debt** primarily reflects final settlement payments to the buyer of HITCO Aerostructures, the small negative free cash flow and incurred costs for the corporate bond issue



- 1 Results Q1/2019
- 2 Outlook 2019

## Outlook 2019.

**In a nutshell:**

**Guidance is unchanged compared to what  
was presented at the March 27, 2019 analyst conference  
and in the Q1/2019 report**

# Outlook 2019.

## Reporting Segment CFM

CFM	
Sales	EBIT <sup>1</sup>
<b>Guidance unchanged</b> Mid single digit % increase Mainly driven by volume growth	<b>Guidance unchanged</b> Despite relatively slow H1/2019 and weaker market segment <b>Industrial Applications</b> , full year EBIT <sup>1</sup> still expected on prior year level however with some risk  Therefore measures to improve earnings implemented across the business unit with particular focus on market segment <b>Textile Fibers</b>  Also: Higher project billings in market segment <b>Aerospace</b> and improved product mix in market segment <b>Automotive</b> anticipated in H2

<sup>1</sup> before non-recurring items

# Outlook 2019. Flat full year EBIT guidance for Reporting Segment CFM based on a multitude of developments and measures

- Market segment **Aerospace**: reversed project billing cycles: in 2018 major billings in H1, in 2019 major billings anticipated in Q4
- Market segment **Automotive**: improved product mix anticipated for H2
  - E.g. higher sales in Ceramic Brake Discs planned for H2
- Market segment **Wind Energy**: deliveries scheduled for H1 pushed into H2 due to external, non-demand related factors which have now been resolved
  - Higher volumes in H2 should be supportive for earnings
- Market segment **Textile Fibers**: number of measures implemented to improve earnings e.g.:
  - Lavradio site task force to drive overall performance improvement
  - Identification of additional near-term sales opportunities (product groups and regions)
  - Identification of specific ideas to improve operations (e.g. reduce overtime)
  - Improved ACN purchasing strategy

<sup>1</sup> before non-recurring items

# Outlook 2019.

## Reporting Segments GMS and Corporate

GMS	
Sales	EBIT <sup>1</sup>

### Guidance unchanged

Stable on prior level which was boosted by positive IFRS 15 effects

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Stable on prior level which was boosted by positive IFRS 15 effects

H2: Anticipating somewhat lower volumes and measures to reduce inventory which decrease fixed cost absorption but improve cash flow

Target EBIT margin of 12% should again be exceeded, proving robust business model even in an overall soft economic environment

Corporate
EBIT <sup>1</sup>

### Guidance unchanged

Close to prior year level which was boosted by positive one-time gain of approx. €4m from land sale

# Outlook 2019.

## Group

Sales	EBIT <sup>1</sup>	Net profit	Capex	Net Debt
<b>Guidance unchanged</b> Mid single digit % increase compared to 2018 which was boosted by positive IFRS 15 effects	<b>Guidance unchanged</b> Stable on prior level which was boosted by positive IFRS 15 effects	<b>Guidance unchanged</b> Break-even expected after €41m in 2018 Due to non-recurrence of positive non-recurring items of €28m from full consolidation of SGL ACF in 2018 And higher interest expenses in 2019 mainly from corporate bond issued in April 2019	<b>Guidance unchanged</b> Approx. €100 million	<b>Guidance unchanged</b> Mid double-digit €m increase
				<b>Free Cash Flow</b> <b>Guidance unchanged</b> Substantial improvement to negative low double digit m€

**Thank you for your attention !**

# **Appendix:**

## **Latest results & outlook in detail**



# Composites – Fibers & Materials.

in € million	H1/2019	H1/2018
Sales revenue	219.4	223.7
EBITDA <sup>1</sup>	19.9	33.7
EBIT <sup>1</sup>	2.8	17.3
EBIT <sup>1</sup> -Margin (in %)	1.3	7.7
ROCE <sub>EBIT</sub> (in %)	0.9	5.3

- **Sales revenue** in H1/2019 almost on prior year level (currency adjusted minus 3%)
  - Strong growth in market segment **Wind Energy** (albeit from a very low base) offset by market segments **Industrial Applications** (weakening global economy) and **Aerospace** (project billings skewed to H2/2019)
  - Remaining market segments **Automotive** and **Textile Fibers** approximately on prior year level
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- Overall **EBIT<sup>1</sup>** in H1/2019 substantially below prior year level
  - Mainly due to earnings decline in market segments **Automotive** (temporary unfavorable product mix), **Aerospace** (different billing patterns) and **Textile Fibers** (temporary margin contraction from inventory of higher priced raw materials) in Q1/2019
  - Higher sales in **Wind Energy** did not stabilize earnings due to temporary unfavorable product mix and deliveries pushed out to H2/2019
  - Earnings improvement in market segment **Industrial Applications** unable to fully compensate for above trends

<sup>1</sup> before non-recurring items of minus €4.3 million in H1/2019 and €23.3 million in H1/2018

# Graphite Materials & Systems.

in € million	H1/2019	H1/2018
Sales revenue	321.0	288.0
EBITDA <sup>1</sup>	61.6	51.4
EBIT <sup>1</sup>	48.5	40.0
EBIT <sup>1</sup> -Margin (in %)	15.1	13.9
ROCE <sub>EBIT</sub> (in %)	16.8	14.8

- **Sales revenue in H1/2019** up 12% (currency adjusted by 9%)
  - Substantial double digit growth in market segments **Semiconductors**, **LED**, and **Automotive & Transport**
  - Strong demand increase also in **Industrial Applications** and **Chemicals**
  - **Battery & other Energy** close to prior year level as expected
  - Sales to market segment **Solar** again limited to below prior year level as supply to **LED** and **Semiconductor** industries again prioritized
- **EBIT<sup>1</sup> in H1/2019** increased by 21% and thus more than proportionately to sales
  - Due to improvements in most market segments
  - **Solar** remained slightly below prior year level
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# Corporate.

## in € million

	H1/2019	H1/2018
Sales revenue	21.1	17.6
- of which Central Innovation	5.3	2.7
EBITDA <sup>1</sup>	-8.4	-10.1
EBIT <sup>1</sup>	-13.5	-10.0
- of which Central Innovation	-3.4	-4.1

- Higher **sales revenue** resulting primarily from stronger demand in the market segment **Energy** relating to parts for fuel cell customers supplied by our central research and development department (Central Innovation)
  - Accordingly, sales revenue at Central Innovation doubled in the reporting period
- **EBIT** remained close to the prior year level on a reported basis – however, adjusted for a €3.9 million one-time gain from a land sale in the prior year period, EBIT improved substantially due to
  - Lower expenses following the implementation of the Operations Management System (OMS) in the prior year
  - High one-time income from services provided to the former graphite electrode business
  - Central Innovation net expenses of €3.4 million below prior year level of €4.1 million due to higher earnings contribution from business with parts for fuel cells

<sup>1</sup> before non-recurring items of €3.1 million in H1/2018

## in € million

	H1/2019	H1/2018
Sales revenue	561.5	529.3
<b>EBITDA before non-recurring items</b>	<b>73.1</b>	<b>75.0</b>
<b>EBIT before non-recurring items</b>	<b>37.8</b>	<b>44.2</b>
<i>ROCE<sub>EBIT</sub> (in %)</i>	4.6	6.0
Non-recurring items	-4.3	26.8
EBIT	33.5	71.0
Net financing result	-18.7	-13.7
Results from continuing operations before income taxes	14.8	57.3
Income tax expense and non controlling interests	-4.7	-6.0
Result from discontinued operations, net of income taxes	-0.1	-4.0
<b>Consolidated net result attributable to shareholders of parent company</b>	<b>10.1</b>	<b>47.3</b>

- **Recurring EBIT** declined by 15% to €37.8 million due to gain from a land sale in prior year period (impact of €3.9 million in Q1/2018). Excluding this effect in the prior year period, EBIT would have been only 6% lower as higher earnings contribution from GMS and lower expenses in Corporate almost entirely compensated for lower CFM contribution
- **Net financing result** deteriorated due to higher interest expenses from new convertible bond issued in September 2018, new corporate bond issued in April 2019 as well as from the first time adoption of IFRS 16.
- Lower **net result** due mainly to non-recurrence of positive non-recurring items of approximately €28 million from the full consolidation of former JV with BMW (SGL ACF) in the prior year period and lower financial result in the reporting period

# Free cash flow.

## in € million (continuing operations)

	H1/2019	H1/2018
Cash flow from operating activities	15.4	-7.8
• Capital expenditures in property, plant, equipment and intangible assets	-33.6	-21.9
• Cash flow from other investing activities <sup>1</sup>	9.0	-9.3
Cash flow from investing activities	-24.6	-31.2
Free cash flow	-9.2	-39.0
Free cash flow from discontinued operations	-9.9	62.6

- **Cash flow from operating activities** improved significantly to €15.4 million from minus €7.8 million due
  - lower increase in working capital and
  - a higher positive non-cash effect from IFRS15 in the prior year result
- **Free cash flow** also improved significantly to close to break even level due to
  - Improvement in operating cash flow and
  - Lower cash outflow from investing activities despite significantly higher capex as prior year period included payment for German part of SGL ACF (Wackersdorf site)
- **Free cash flow from discontinued operations** included
  - Cash outflow relating to final settlement payments to the buyer of HITCO Aerostructures in the reporting period
  - Cash inflow from the final outstanding payments for the sale of former PP activities in the prior year

<sup>1</sup> dividends received, payments for capital contributions in investments accounted for At-Equity and other financial assets, payments for acquiring remaining stakes in our joint ventures, proceeds from sale of intangible assets and property, plant and equipment

# Balance sheet.

in € million	30.06.2019	31.12.2018
Equity ratio (in %)	28.4	33.5
Total liquidity	320.8 <sup>1</sup>	181.6
Net financial debt	272.9	242.2
Gearing (net debt/equity)	0.54	0.46
Leverage ratio (net debt/EBITDA)	2.2	1.9

- **Equity ratio** deteriorated due to temporarily inflated total assets (will decrease again in Q3/2019 as convertible bond 2015/2020 has been paid back prematurely in July 2019) and decreased equity from adoption of lower interest rates on pension liabilities
- Adjusting for early repayment of convertible bond 2015/2020 **pro forma equity ratio** as of June 30, 2019 would have been 31.5%
- Higher **net financial debt** primarily reflects final settlement payments to the buyer of HITCO Aerostructures, the small negative free cash flow and incurred costs for the corporate bond issue

<sup>1</sup> including €176.8 million cash held in escrow for repayment of convertible bond 2015/2020

# Reporting segment outlook 2019.

## CFM – overall guidance unchanged from outlook in March 2019

- Mid single digit **increase** in **sales** expected mainly driven by higher volumes
  - Sales in market segment **Aerospace** expected on prior year level and **Automotive** close to prior year level
  - Slight increase in sales anticipated for **Textile Fibers**, also depending on the development of raw material costs
  - Substantial growth anticipated in the market segment **Wind Energy**, albeit from a very low base as the prior year was impacted by the sale of SGL Kumpfers and very low customer demand
  - To be somewhat offset by lower sales now anticipated in market segment **Industrial Applications** due to overall global economic weakness
- We **confirm** FY2019 **guidance** for recurring **EBIT** close to prior year level despite relatively slow H1/2019 and weaker market segment Industrial Applications, however with some risk
  - We have therefore implemented earnings improvement measures across CFM with particular focus on **Textile Fibers**
- Guidance includes a multitude of developments/measures
  - **Aerospace**: reversed project billing cycles: 2018 major billings in H1, 2019 major billings expected in Q4
  - **Automotive**: improved product mix anticipated for H2
  - **Wind Energy**: deliveries scheduled for H1 pushed into H2 due to external, non-demand related factors which have now been resolved - higher volumes in H2 should be supportive for earnings
  - **Textile Fibers**: number of measures implemented to improve earnings e.g.:
    - Lavradio site task force to drive overall performance improvement
    - Identification of additional near-term sales opportunities (product groups and regions)
    - Identification of specific ideas to improve operations (e.g. reduce overtime)
    - Improved ACN purchasing strategy

# Reporting segment outlook 2019.

## GMS – guidance unchanged from outlook in March 2019

- **Sales** expected on prior year level which was boosted by initial adoption of IFRS 15
  - Higher **price** and **volume** effects likely to be offset by negative **currency** effects
  - Despite a temporarily weaker industry outlook, we expect our sales in the market segments **LED** and **Semiconductors** to increase substantially as we anticipate to increase our market share based on our technology leadership
  - Double-digit increase in sales also expected in the market segment **Automotive**
  - Market segments **Chemicals** and **Industrial Applications** expected on prior year level
  - Close to stable development in **Battery & other Energy** to be viewed in context of positive IFRS15 effects in prior year
  - As in the previous year, sales in the market segment **Solar** likely to be limited to below the prior year level to prioritize the **LED** and **Semiconductors** market segment
- **Despite strong H1/2019, FY 2019 EBIT expected on prior year level** which was boosted by initial adoption of IFRS 15
  - Overall, shipment levels are skewed to H1/19, somewhat lower shipments planned for H2/19 as well as measures to reduce inventory, which decreases fixed cost absorption but improves cash flow
- **ROS<sub>EBIT</sub> target of 12% should again be exceeded in this business unit and thus stability of GMS' business model** proven in a weaker overall economic environment



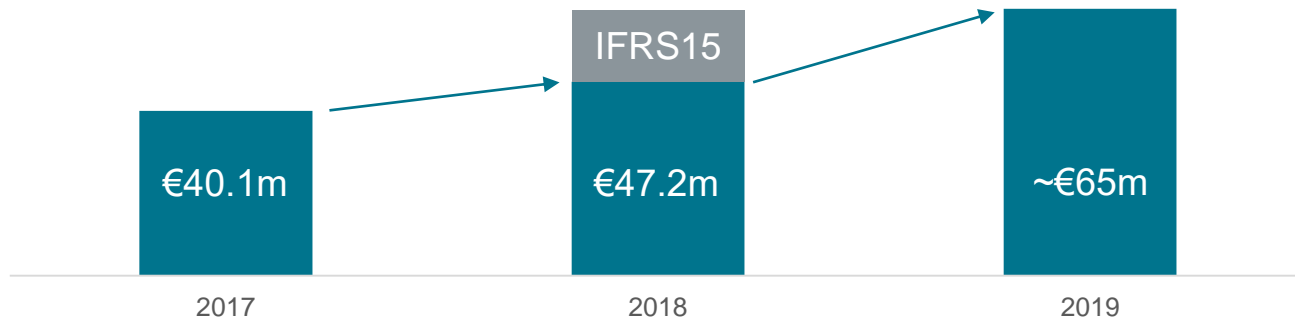
## Reporting segment outlook 2019.

### Corporate – guidance unchanged from outlook in March 2019

- **Recurring EBIT** anticipated close to prior year level
- Prior year included a €4 million **one-time impact** from a land sale in Q1/2018

## Group outlook 2019. Guidance unchanged from outlook in March 2019

- Full year **Group sales** expected to increase mid single-digit mainly driven by volume increases
  - Despite weakening of overall economic environment
  - Prior year boosted by high effects from initial adoption of IFRS 15
- **Group recurring EBIT** expected around prior year level which was boosted by positive IFRS 15 effects
  - Adjusted for effects from initial adoption of IFRS 15, Group EBIT in 2019 is growing even faster than in 2018 and is approximately on the same level as previously expected



## Group outlook 2019. Guidance unchanged from outlook in March 2019

- **Net result – continued operations** expected to break even (2018: €41m)
  - Prior year included a high positive one-time effect of €28m from the full consolidation of SGL ACF
  - In addition, we expect substantially higher interest cost in net financial results mainly from the corporate bond issue in April 2019 to refinance existing debt
- **Capex** 2019 to increase compared to prior year to approx. €100m resulting from the new 5-year plan to capture additional sales and earnings potential from 2022 onwards
  - Mainly driven by higher capex in **Automotive & Transport, LED, Semiconductors**, as well as **Battery & other Energy**
  - Note: our capex projects are **modular** in nature and could be stretched out or postponed if required
- Substantial improvement in negative **free cash flow** from continued operations to a low double-digit m€ amount expected mainly due to working capital improvement and despite higher capex and higher interest costs – i.e. **free cash flow positive** on normalized capex levels
- **Net debt** at end 2019 to increase by a mid double-digit m€ amount
- **Balance sheet targets** expected to continue to be met - **leverage ratio** at or below 2.5; as previously communicated, **gearing** target at or below 0.5 could temporarily be exceeded due to additional capex in the years 2019-2021

## 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 related to SGL Group's cost savings programs. 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 may have on SGL Group's financial condition and results of operations 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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