Press Release Wiesbaden, August 7, 2018

SGL Carbon again slightly increases its guidance for EBIT and net result 2018 following a good first half-year

- Group sales and earnings impacted by high positive one-time effects, particularly relating to the initial adoption of IFRS 15 and to the complete acquisition of former joint ventures with BMW Group and Benteler in the first quarter
- Group sales increase by 22 percent to 529 million euros
- Strong organic growth of approximately 10 percent driven by market segments mobility, digitization, chemicals and industrial applications
- Recurring EBIT nearly doubled to reach 44 million euros (including IFRS effects of about 11 million euros)
- Guidance for EBIT and net result 2018 slightly increased
- Dr. Jürgen Köhler, CEO of SGL Carbon: "The first half-year confirms that we are on track with our growth plans"

Following the good first quarter 2018, SGL Carbon has continued its dynamic development during the second quarter. Augmented by high positive one-time effects, sales revenues and earnings rose substantially above prior year level. Nearly half of the sales growth of approximately 22 percent was driven by the strong organic sales increase in the market segments mobility, digitization, chemicals and industrial applications. Consequently, recurring Group EBIT nearly doubled to reach 44 million euros (including IFRS effects of about 11 million euros). Due to the increased operating profit, a significantly improved net financing result and fair value adjustments of 28.1 million euros in the first quarter, the consolidated net result significantly increased to 47.3 million euros. Due to the good development in the first half-year, SGL Carbon slightly increases its guidance for sales revenues and recurring EBIT. Additionally, the guidance for the net result from continuing operations is raised. SGL Carbon now anticipates a low to middle double-digit million euro range.

"We are on target with organic growth of around 10 percent. Structural effects have additionally accelerated growth," says Dr. Jürgen Köhler, CEO of SGL Carbon. "We continue to focus on taking advantage of the potentials offered by our markets. With our new brand identity we emphasize our aim to develop smart solutions together with our customers for trend-setting topics in mobility, energy and digitization."

In the first half of 2018, SGL Carbon increased its sales revenues by 21.6 percent, to 529.3 (previous year: 435.3) million euros. Nearly half of the sales improvement was driven by strong organic growth in the market segments mobility, digitization, chemicals and industrial applications.

SGL Carbon SE
Corporate Communications, Media Relations
Soehnleinstrasse 8
65201 Wiesbaden/Germany
Phone +49 611 6029-100 | Fax +49 611 6029-101
press@sglcarbon.com | www.sglcarbon.com

Recurring Group EBIT doubled to 44.2 (previous year: 22.5) million euros including IFRS effects of about 11 million euros. This was particularly due to the earnings growth of CFM, the improved operational performance of GMS, a partially temporary effect from the initial adoption of IFRS 15 amounting to 11.1 (GMS: 10.4) million euros, as well as the proceeds of 3.9 million euros from a land sale. The return on capital employed (ROCE) based on recurring EBIT improved from 3.9 percent to 6.0 percent. Non-recurring charges totaled 26.8 million euros. In particular, these include the adjustment to the fair value of the previously proportionally consolidated joint operation with BMW Group amounting to 28.1 million euros at the date of acquisition. EBIT after non-recurring charges amounted to 71.0 (previous year: 15.7) million euros. Due to the repayment of the corporate bond in October 2017 and the convertible bond in January 2018, net financing result was halved from minus 26.2 million euros in the previous year period to minus 13.7 million euros. Consequently, pre-tax result from continuing operations rose to 57.3 (previous year: minus 10.5) million euros. The Group’s consolidated net result came to 47.3 million euros.

Composites – Fibers & Materials (CFM): Structural effects drive sales revenues and earnings

The business unit CFM increased its sales revenues by 27 percent (currency adjusted by 30 percent), to reach 223.7 (previous year: 176.2) million euros. Above all, main drivers were structural effects resulting from the full consolidation of the former at-equity accounted joint ventures Benteler-SGL and the former partially consolidated joint venture SGL ACF. This more than offset the sale of the former fully consolidated joint venture SGL Kümpers. Operationally, sales growth was driven mainly by the market segments aerospace, automotive and industrial applications. Sales in the textile fibers segment remained on the prior year level, while sales in the wind segment declined. Recurring EBIT increased by 40 percent to 17.3 (previous year: 12.4) million euros. The highest earnings growth was recorded in the market segment automotive, primarily resulting from the full consolidation of SGL Composites (previously SGL ACF and Benteler-SGL). While earnings in the aerospace and textile fibers segments were at a similar level as in the previous year, the segments wind and industrial applications recorded declines. The return on capital employed (ROCE) based on recurring EBIT in reporting segment CFM amounted to 5.3 percent (previous year: 5.2 percent).

Graphite Materials & Systems (GMS): Organic growth in sales revenues due to nearly all market segments

Sales revenues in the business unit GMS significantly increased by 13 percent (currency adjusted by 16 percent) to reach 288.0 (previous year: 255.1) million euros in the first half of 2018. The initial adoption of IFRS 15 led to a partially temporary sales increase of approximately 17 million euros. Adjusted by this and the currency effect, sales of GMS increased by around 10 percent. Main driver was the substantial recovery of the chemical business. Double digit growth rates were also recorded in the market segments LED, semiconductors as well as automotive & transport. Sales development in the market segment industrial applications was slightly above the prior year level, while sales revenues of battery & other energy remained stable. The higher demand was offset by price and currency effects. The company limited sales to the solar market segment to the prior year level, as deliveries to customers from the semiconductor and LED segments were increased, who also posted a high demand for isostatic graphite specialties.

Recurring EBIT increased substantially more than proportionately by 67 percent to reach 40.0 (previous year: 23.9) million euros. This contains a partially temporary effect from the initial adoption of IFRS 15 amounting to 10.4 million euros. Adjusted for this effect, recurring EBIT increased by 24 percent mainly due to improved results in nearly all market segments. Only the market segment battery & other energy did not increase their earnings compared to the prior year. This reflects the expected unfavorable currency exchange rates especially with regards to the Japanese Yen as well as the higher raw material costs. The return on capital employed (ROCE) based on recurring EBIT in the business unit GMS increased substiantially to 14.8 percent (previous year: 9.6 percent).

Corporate: Results slightly improved year-on-year

Recurring EBIT in the reporting segment Corporate improved slightly by 5 percent to minus 13.1 (previous year: minus 13.8) million euros. This includes a positive effect in the amount of approximately 3.9 million euros from a land sale, which more than compensated for the implementation costs for the Operations Management System (OMS) and the termination of cost allocations to the now sold business unit Performance Products.

Free cashflow below prior year due to high investing activities

The cash flow from operating activities from continuing operations in the first half-year 2018 improved significantly by 29.0 million euros to minus 7.8 million euros. This reflects the improvement in the operating result. Cash flow from investing activities declined from 7.1 million euros to minus 31.2 million euros and includes, among others, the cash outflows for the acquisition of the SGL Composite company in Wackersdorf (previously SGL ACF Germany) amounting to 23.1 million euros. As a result of the purchase price payment for the acquisition of SGL ACF and the resulting increase in cash outflow from investing activities, free cash flow from continuing operations declined to minus 39.0 (previous year: minus 29.7) million euros.

Total assets slightly decreased to 1,513.6 (December 31, 2017: 1,541.7) million euros. Equity attributable to the shareholders increased by 15.5 percent to 528.0 (December 31, 2017: 457.0) million euros, mainly attributable to the net result of 47 million euros as well to effects from the adoption of IFRS 15 and IFRS 9 on transition date January 1, 2018 amounting to 13.8 million euros. Compared with year-end 2017, the equity ratio increased by 5.3 percentage points to 34.9 percent. Net financial debt increased to 211.1 (December 31, 2017: 139.0) million euros, primarily attributable to the full consolidation of SGL Composites (USA). In contrast, payments received for the sale of the former business unit Performance Products in the first quarter 2018 had a positive effect on the net financial debt.

SGL Carbon slightly raises its 2018 outlook again

Based on the good development in the first half-year particularly in the business unit GMS, SGL Carbon now expects Group sales to increase by slightly more than 10 percent (before: approximately 10 percent) for fiscal year 2018. Adjusted for currency and structural changes, this corresponds to growth in the high (before: mid to high) single-digit percentage range. In addition, SGL Carbon anticipates a low double-digit million (before: single-digit) euro million euro positive impact on Group sales from the initial adoption of IFRS 15. Group recurring EBIT should continue to slightly outpace the now higher anticipated sales growth, driven by the positive effects of a noticeable increase in volume demand, the successful implementation of price increase initiatives in the business unit GMS, the additional contribution to earnings resulting from the full consolidation of the former joint venture SGL ACF, and cost savings. In contrast, however, the company anticipates higher personnel costs and raw material prices compared to the previous year, as well as less favorable exchange rates. In addition to this, SGL Carbon anticipates a mid to high (before: low) single-digit million euro positive impact on Group EBIT from the initial adoption of IFRS 15.

The preliminary purchase price allocation (PPA) relating to the full consolidation of the former joint venture SGL ACF increases depreciation by approximately 10 million euros p.a. until 2021. These will be recorded under non-recurring items in the reporting segment CFM.

Non-recurring items in the first half-year have a positive effect in total. As the operating profit including earnings impact from the initial adoption of IFRS 15 is slightly higher than anticipated in the first quarter 2018, SGL Carbon again slightly increases guidance for net result from continuing operations. The company now expects a low to mid double-digit (before: low double-digit) million euro amount. In addition to the higher operating result, the improvement compared to the loss of 16 million euros in the prior year derives mainly from the lower interest expense as a result of the early repayment of the corporate bond on October 30, 2017, as well as the repayment of the convertible bond, which matured on January 25, 2018.

Net financial debt at the end of 2018 should be considerably higher than at the end of 2017, in particular due to the full consolidation of the former joint venture SGL ACF. Nevertheless, SGL Carbon will remain within its target gearing level of about 0.5, and a leverage ratio under 2.5.

The guidance for sales in the business unit CFM remains unchanged. The company expects a sales increase of approximately 25 percent primarily as a result of acquisitions. Adjusted for currency and structural changes, this corresponds to growth in the mid to high single-digit percentage range compared to the prior year.

Sales with the automotive industry should more than double, primarily due to the full consolidation of the former joint ventures with Benteler and BMW Group as well as the strong demand development. Sales should slightly increase in the market segment aerospace, while sales in the market segments industrial applications and textile fibers are expected on the level of the previous year. At the same time sales with the wind industry should decrease by more than half (before: about one third), owing to the deconsolidation of the former joint venture with Kümpers as well as to the weak customer demand.

Higher earnings contribution resulting from the full consolidation of our former joint venture SGL ACF as well as increasing volume demand will be partially offset by negative currency effects, higher development costs and the weaker than initially expected earnings in the market segments wind energy, textile fibers and industrial applications. Consequently, it cannot be ruled out that the recurring EBIT in the reporting segment CFM will only post a slight improvement compared to the prior year. As in the two prior years, the highest quarterly earnings of this fiscal year are likely to have been achieved in the first quarter 2018 due to the high capacity utilization as well as high shipments for particular projects.

The initial adoption of IFRS 15 does not significantly impact sales or EBIT in the CFM segment.

For the business unit GMS, SGL Carbon continues to expect a slight increase in sales, which corresponds to mid to high single-digit growth adjusted for currency effects. In addition, SGL Carbon anticipates a low double-digit (before: single-digit) million euro positive impact on sales in this business unit from the initial adoption of IFRS 15.

Significant sales growth is expected for the LED, automotive & transport, and semiconductor segments. Sales of the market segments industrial applications and chemicals should slightly increase, while sales around the level of the previous year are anticipated for the solar market segment. The company also expects renewed strong growth in volume demand for lithium ion batteries.

EBIT in the business unit GMS is exptected to increase substantially more than proportionately (before: slightly more than proportionately) to sales growth. Therefore, it should be possible to reach the target Group ROCE (EBIT in relation to capital employed) of at least 9 to 10 percent in this business unit. In addition to this, SGL Carbon anticipates a mid to high (before: low) single-digit million euros positive impact on EBIT in this segment from the initial adoption of IFRS 15.

Key figures of SGL Carbon
(in million euros)

	H1 2018	H1 2017	Change
Sales revenues	529.3	435.3	21.6%
EBITDA before non-recurring charges	75.0	47.1	59.2%
Operating profit (EBIT) before non-recurring charges	44.2	22.5	96.4%
Return on sales (EBIT margin) [1)]	8.4 %	5.2 %	+3.2%-points
Return on capital employed (ROCE EBIT) [2)]	6.0 %	3.9 %	+2.1%-points
Operating profit (EBIT)	71.0	15.7	>100%
Result from continuing operations	51.6	-15.5	>100%
Result from discontinued operations, net of income taxes	-4.0	13.9	>-100%
Consolidated net result	47.3	-3.6	>100%
Earnings per share, basic and diluted (in €) continuing operations [3)]	0.42	-0.14	>100%
Payments to purchase intangible assets and property, plant & equipment	-21.9	-14.7	-49.0%
Free Cashflow - continuing operations	-39.0	-29.7	-31.3%

	June 30, 2018	Dec. 31, 2017	Change
Total assets	1,513.6	1,541.7	-1.8%
Equity attributable to shareholders of the parent company	528.0	457.0	15.5%
Net financial debt [4)]	211.1	139.0	51.9%
Debt ratio (Gearing) [5)]	0.40	0.30	-
Equity ratio [6)]	34.9%	29.6%	+5.3%-points
Employees	4,414	4,193	5.3%

1 Ratio of EBIT before non-recurring charges to sales revenue
2 EBIT before non-recurring charges for the last twelve months to average capital employed – continuing operations (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)
3 Based on an average number of 122.3 million shares (H1/2017: 122.3 million shares)
4 Financial liabilities (nominal amounts) less liquidity
5 Net financial debt divided by equity attributable to the shareholders of the parent company
6 Equity attributable to shareholders of the parent company divided by total assets

About SGL Carbon

SGL Carbon is a technology-based company and world leader in the development and production of carbon-based solutions. Its high-quality materials and products made from specialty graphite and composites are used in industrial sectors that determine the future: automotive, aerospace, solar and wind energy, semiconductor and LEDs as well as in the production of lithium-ion batteries and other energy storage systems. In addition, SGL Carbon develops solutions for chemical and industrial applications.

In 2017, SGL Carbon generated sales of around 860 million euros. As of December 31, 2017, the company had approximately 4,200 employees worldwide in 34 locations in Europe, North America, and Asia.

Materials, products and solutions from SGL Carbon are embedded in the major topics of the future: sustainable mobility, new energies and cross-industry digitization. Further developments in these areas demand more intelligent, more efficient, networked and sustainable solutions. This is where the entrepreneurial vision of SGL Carbon evolves around: contributing to a smarter world.

Further information on SGL Carbon can be found in the Newsroom of SGL Carbon at www.sglcarbon.com/press and at www.sglcarbon.com.

Important note:
To the extent that our press release contains forward-looking statements, the latter are based on information that is available at present and on our current forecasts and assumptions. Forward-looking statements, by their very nature, entail known as well as unknown risks and uncertainties that may lead to actual developments and events differing substantially from the forward-looking assessments. Forward-looking statements must not be understood to be guarantees. Instead, future developments and events depend on a large number of factors; they comprise various risks and imponderables and are based on assumptions that may possibly turn out not to be appropriate. These include unforeseeable changes to fundamental political, economic, legal and societal conditions, particularly in the context of our main customers' industries, the competitive situation, interest and exchange rate trends, technological developments as well as other risks and uncertainties. We perceive additional risks e.g. in pricing developments, unforeseeable events in the environment of companies acquired and Group member companies as well as in current cost savings programs from time to time. The SGL Carbon assumes no obligation and does not intend to adjust or otherwise update these forward-looking statements either.

SGL Carbon SE
Corporate Communications
Andreas Pütz – Head of Corporate Communications and Marketing
Soehnleinstrasse 8
65201 Wiesbaden/Germany

Telephone +49 611 6029-100
Fax +49 611 6029-101
press@sglcarbon.com
www.sglcarbon.com

LinkedIn
Facebook
Twitter