PRESS RELEASE

SGL Group posts good first half-year results – strategic realignment essentially implemented

- Group sales from continuing operations increased by almost 15 percent to 435.3 million euros
- Recurring Group EBIT rises more than proportionately to 22.5 million euros
- Graphite Materials & Systems (GMS) clearly improves operating profit year-on-year; operating profit of Composites – Fibers & Materials (CFM) stable, as expected
- Sales agreement for cathodes, furnace linings and carbon electrodes (CFL/CE) signed
- Closing of the two sales transactions of the former business unit Performance Products (PP) expected this year
- Dr. Jürgen Köhler, CEO of SGL Group: "After the sale of our former business unit PP, we will now focus fully on our growth businesses CFM and GMS"

Wiesbaden, August 10, 2017. SGL Group delivered good results for the first half of 2017. Sales and profitability have improved substantially. Sales from continuing operations amounted to 435.3 (prior year period: 379.4) million euros, up by nearly 15 percent year-on-year. Market segments energy, digitization and industrial applications were the main growth drivers. Both business units Composites – Fibers & Materials (CFM) and Graphite Materials & Systems (GMS) contributed double-digit growth rates. Recurring EBIT increased significantly to 22.5 (prior year period: 9.6) million euros. Return on capital employed (ROCE) based on recurring EBITDA improved to 9.8 (prior year period: 8.3) percent.

On August 8, 2017, SGL Group signed an agreement to sell its cathodes, furnace linings and carbon electrodes (CFL/CE) business to funds advised by Triton. The two parties agreed on an enterprise value of 250 million euros. After deducting standard debt-like items, mainly pension provisions, as well as other customary adjustments, the transaction will result in cash proceeds of more than 230 million euros. The closing for this sale as well as for the sale of the graphite electrode business to Showa Denko are expected this year. With these two transactions, the former business unit Performance Products (PP) has been sold at a total enterprise value of 600 million euros and approx. 130 million euros above its book value on June 30, 2016.

SGL Group – The Carbon Company
Corporate Communications, Media Relations
Soehnleinstrasse 8, 65201 Wiesbaden/Germany
Phone +49 611 6029-100, Fax +49 611 6029-101
E-mail: press@sglgroup.com / www.sglgroup.com

“In the second quarter we continued with the performance seen at the beginning of the year,” says Dr. Jürgen Köhler, CEO of SGL Group. “This shows that our focus on the mega-trends mobility, energy and digitization was the right decision. Our strategic realignment is now close to the finishing line. The sale of our former Performance Products business unit means that we can now concentrate on our growth businesses Composites – Fibers & Materials and Graphite Materials & Systems.”

Group EBIT after non-recurring charges also improved substantially in the first half of the year, from 9.6 million to 15.7 million euros, despite an increase in non-recurring charges. The net financing result, at 26.2 (prior year period: 25.9) million euros, remained almost unchanged. The SGL Group improved its result from continuing operations before taxes from minus 16.3 million to minus 10.5 million euros. Including discontinued activities, the Group’s consolidated net result after taxes in the first half of 2017 amounted to minus 3.6 (prior year period: minus 73.2) million euros.

Composites – Fibers & Materials (CFM): sales significantly higher; earnings at previous year’s level due to ramp up of the Lightweight and Application Center

Sales in the first half of 2017 in the reporting segment Composites – Fibers & Materials increased by 12.6 percent, to 176.2 (prior year period: 156.5) million euros, primarily due to higher sales in the market segments industrial applications, automotive, and textile fibers. In the market segment industrial applications, carbon fiber sales for injection molding applications developed particularly well, while in textile fibers, the high oil price compared to the prior year period had a positive impact on selling prices. The market segments aerospace and wind energy recorded slightly lower sales. As expected, recurring EBIT, at 12.4 million euros in the first half of 2017, remained at a similar level as in the comparable prior year period (12.2 million euros). The ramp up of the Lightweight and Application Center (LAC), which is designated to develop future business with the automotive and aerospace industries, offset operational improvements in nearly all market segments, as anticipated. The strongest earnings improvement was recorded in the market segment industrial applications, resulting from the good capacity utilization in the carbon fiber plant in Scotland. Higher sales led to a slight decrease in the EBIT margin to 7.0 percent (prior year period: 7.8 percent). Return on capital employed (ROCE) based on recurring EBITDA increased from 9.9 percent to 10.8 percent. EBIT after non-recurring charges declined to 6.4 (prior year period: 12.2) million euros. The decrease is solely attributable to the disposal of the production site in Evanston, leading to a negative earnings effect from attributable cumulative currency translation differences amounting to approx. 6 million euros (positive effect of 12.8 million euros from the sale of Evanston was already recorded in the fiscal year 2016).

Graphite Materials & Systems (GMS): high demand for graphite anode material

Sales in the reporting segment Graphite Materials & Systems significantly increased by 16.5 percent to 255.1 (prior year period: 218.9) million euros. Solely the market segment chemicals recorded a lower sales level than in the prior period. The overall sales increase primarily reflects higher demand for anode materials for lithium-ion batteries in the market segment battery and other energy. The market segments solar, LED, semiconductor, automotive, and industrial applications were also able to improve their respective sales revenues. Recurring EBIT increased substantially more than proportional to 23.9 million euros (prior year period: 13.5 million euros) mainly due to higher capacity utilization. The EBIT margin improved significantly as well, to 9.4 percent compared to 6.2 percent the prior year period. Return on capital employed (ROCE) based on recurring EBITDA increased from 13.0 percent to 15.2 percent. Operating profit grew to 23.9 million euros after 13.1 million euros recorded the in the prior year period.

Recurring EBIT further improved in the reporting segment Corporate

Recurring EBIT in the reporting segment Corporate improved from minus 16.1 million euros to minus 13.8 million euros, primarily due to savings from project CORE (COrporate REstructuring). The operating profit after non-recurring charges amounted to minus 14.6 million euros versus minus 15.7 million euros the previous year.

Discontinued activities again reflect good development in the former business unit Performance Products (PP)

The result from discontinued operations primarily included income and expenses incurred by the business unit PP and amounted to 13.9 (prior year period: minus 49.4) million euros. With the sales agreement for the graphite electrodes (GE) business dated October 20, 2016, the estimated losses until closing were already recognized in the prior year. A reversal of impairment losses amounting to 4.0 million euros resulted from the remeasurement of GE at fair value less costs to sell. The result from the cathodes, furnace linings and carbon electrodes business activities continued to improve their earnings compared to the good prior year level.

Free cash flow improved

Free cash flow from continuing operations improved to minus 29.7 (prior year period: minus 46.5) million euros. Total assets decreased slightly by 2.8 percent, to 1,846.2 million euros (December 31, 2016: 1,899.2). Equity attributable to the shareholders of the parent company amounted to 326.7 (December 31, 2016: 331.8) million euros. Besides the slightly negative net result, the reduction is mainly attributable to foreign currency effects. Overall, the equity ratio improved slightly to 17.7 percent compared to 17.5 percent as of December 31, 2016, due to the decrease in total assets. As of June 30, 2017, net financial debt increased to 477.0 (December 31, 2016: 449.4) million euros mainly due to the decrease in total liquidity primarily attributable to the buildup of working capital.

Group guidance for 2017 confirmed

SGL Group confirms the guidance as published in March 2017. Expected volume growth and the implementation of initial CORE measures should allow Group EBITDA and Group EBIT – both before non-recurring charges – to increase more than proportionately to sales, which is anticipated to grow by a high single digit percentage. The anticipated operational improvement will likely not be reflected in the Group consolidated net result from continuing operations, mainly because of the positive one-off effects realized through the sale of the Evanston site in the previous year and the planned early redemption of the corporate bond (write-off of the capitalized refinancing costs and an early prepayment penalty) during the current year, which will increase the expenses in the financial result. As a result, SGL Group anticipates a net loss from continuing operations in the mid-double-digit million euro range.

The result from discontinued operations, and thus the Group result, will be characterized both by the anticipated strong improvement in the operational business of the former reporting segment Performance Products and by effects from the sale of PP. The sale of the CFL/CE business will lead to a book profit of approx. 130 million euros upon closing.

SGL Group continues to anticipate a slight increase in sales in the reporting segment **CFM**, with “slight“ meaning a variation of up to 10 percent. The anticipated increase in sales will, above all, be driven by a higher demand for carbon fibers for industrial applications as well as higher pricing in textile fibers. Sales increases are also expected with the automotive industry. EBIT for 2017 is anticipated to remain on the prior year level, mainly due to the ramp up costs for the Lightweight and Application Center. This development will presumably offset the positive effects from the higher capacity utilization. In addition, 2016 EBIT also included a higher positive effect from high invoicing levels in the US aerospace business. As in prior years, CFM probably achieved the highest quarterly earnings of this fiscal year in the first quarter of 2017. This is particularly true compared to the third quarter, which will be marked by holiday and scheduled maintenance shutdowns.

Based on the strong first half year in the reporting segment **GMS,** SGL Group slightly increases its guidance published in March 2017 for this segment and now anticipates approx. 10 percent sales growth, driven by almost all market segments with the exception of chemicals, since this segment is still adversely impacted by restrained investment activities. SGL Group is planning a significant sales increase with customers from the solar industry. Growth is also expected in industrial applications, in the lithium-ion battery business as well as with customers from the LED industry. The anticipated significant increase in EBIT is based on higher capacity utilization in nearly all business activities as well as cost savings. As a result, it should be possible to achieve the target Group ROCE (ratio of EBITDA to capital employed) of 15 percent in this business unit also for the full fiscal year.

With the sale of the former business unit Performance Products as well as the proceeds from the December 2016 rights issue, SGL Group intends to redeem early its corporate bond with a nominal of 250 million euros as well as repay at maturity in January 2018 its convertible bond with a nominal of 240 million euros, thus reducing its interest expenses, significantly lowering its net debt and improving its balance sheet ratios.

Key figures of SGL Group

(in million euros)

	H1-2017	H1-2016	Change
Sales revenue from continuing operations	**435.3**	379.4	14.7%
EBITDA before non-recurring charges	**47.1**	33.6	40.2%
Operating profit (EBIT) before non-recurring charges	**22.5**	9.6	>100%
Return on sales (EBIT margin) [1]	**5.2%**	2.5%	+2.7%-points
Return on capital employed ($ROCE_{EBITDA}$) [2]	**9.8%**	8.3%	+1.5%-points
Operating profit (EBIT)	**15.7**	9.6	63.5%
Result from continuing operations	**-15.5**	-23.0	32.6%
Result from discontinued operations, net of income taxes	**13.9**	-49.4	>100%
Consolidated net result	**-3.6**	-73.2	95.1%
Earnings per share, basic and diluted (in €) continuing operations [3]	**-0.14**	-0.26	46.2%
Payments to purchase intangible assets and property, plant & equipment	**14.7**	9.2	59.8%
Free cash flow from continuing activities	**-29.7**	-46.5	36.1%

	June 30, 2017	December 31, 2016	Change
Total assets	**1,846.2**	1,899.2	-2.8%
Equity attributable to shareholders of the parent company	**326.7**	331.8	-1.5%
Net financial debt (continuing and discontinued operations) [4]	**477.0**	449.4	6.1%
Debt ratio (Gearing) [5]	**1.46**	1.35	-
Equity ratio [6]	**17.7%**	17.5%	+0.2%-points
Employees [7]	**5,355**	5,384	-0.5%

1) Ratio of EBIT before non-recurring charges to sales revenue
2) EBITDA 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 (prior year period: 92.0 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
7) Thereof employees PP: 1,424 (December 31, 2016: 1,442)

About the SGL Group – The Carbon Company

The SGL Group is a leading manufacturer worldwide of products and materials made from carbon. The extensive product portfolio ranges from carbon and graphite products, carbon fibers all the way through to composites. The SGL Group's core expertise comprises the control of high-temperature technologies as well as the deployment of many years' application and engineering know-how. This is used to exploit the company's wide materials base. These carbon-based materials combine a number of unique material properties such as very good conductivity of electricity and heat, resistance to heat and corrosion as well as lightweight construction coupled with high firmness. The level of demand for the SGL Group's high-performance materials and products is increasing due to the industrialization of the growth regions of Asia and Latin America and the ongoing substitution of traditional construction materials by new materials. The SGL Group's products are deployed in the automotive and chemicals industries as well as in the semiconductor, solar, LED industry segments and in the field of lithium-ion batteries. Carbon-based materials and products are also used in wind energy, aviation and space travel as well as in the defense industry.

With 33 production locations in Europe, North America and Asia as well as a service network in about 100 countries, the SGL Group is an enterprise with a global orientation. In the 2016 financial year, approx. 4,000 employees generated 769.8 million euros in sales revenue. Its Head Office is based in Wiesbaden / Germany.

Further particulars on the SGL Group can be found in the Newsroom of the SGL Group at www.sglgroup.com/presse and at www.sglgroup.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, such as electric steelmaking, 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 Group assumes no obligation and does not intend to adjust or otherwise update these forward-looking statements either.

Contact Corporate Communications:
Telephone +49 611 6029 100 / Fax +49 611 6029 101
E-mail: press@sglgroup.com / www.sglgroup.com