sgl carbon

Investor & Analyst Conference Call

Wiesbaden
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1 Results H1/2018, Dr. Michael Majerus

2 Outlook 2018

Composites – Fibers & Materials.

H1/2018 boosted by structural effects

Sales	EBIT[1]	EBIT[1]-margin	ROCE EBIT[1]
€223.7m	€17.3m	7.7%	5.3%
+27% vs PY	+40% vs PY	+70bps vs PY	+10bps vs PY

- **Sales revenue** increased by 27% (currency adjusted by 30%)
  - Structural effects (JV Benteler SGL and JV SGL ACF) and higher demand in **automotive** continue to boost sales
  - **Wind industry** sales not only adversely impacted by sales of stake in JV SGL Kümpers but also lower customer demand
  - Operationally, sales growth driven by **aerospace**, **automotive** and **industrial applications**

- **Recurring EBIT** increased by 40%
  - Earnings improvement supported by full consolidation of former SGL ACF and Benteler SGL and better demand in **automotive**
  - Partially offset by lower earnings contribution from **wind** and **industrial applications**

[1] before non-recurring items of €23.3 million in H1/2018 and minus €6.0 million in H1/2017

Graphite Materials & Systems.

H1/2018 improvement driven by continued strong demand and IFRS 15 impacts

Sales	EBIT[1]	EBIT-margin[1]	ROCE EBIT[1]
€228.0m	€40.0m	13.9%	14.8%
+13% vs PY	+67% vs PY	+450bps vs PY	+520bps vs PY

- **Sales revenue** up 13 % (currency adjusted by 16%)
  - Positive (partially temporary) IFRS 15 impact of approx. €17 million (compared to €12 million at Q1/2018)
  - Adjusted for IFRS 15 and FX, sales in GMS grew by approx. 10% (9% at Q1/2018)
  - Double digit growth in **chemicals**, **LED**, **semiconductors**, and **automotive & transport**
  - Higher demand in **battery & other energy** offset by price and currency effects as expected
  - We continued to limit sales into **solar** market segment to prioritize sales into market segments **semiconductor** and **LED** segments
- Recurring **EBIT** increased substantially more than proportionately to sales by 67%
  - Positive (partially temporary) of IFRS 15 impact of €10.4 million (€5.5 million at Q1/2018)
  - Adjusted for IFRS 15, EBIT increased by 24% due to improved results in **nearly all market segments** (33% at Q1/2018)
  - As expected, continued higher volumes in **battery & other energy** offset by unfavorable FX (esp. JPY) and higher raw material costs

[1] before non-recurring items of €0.4 million in H1/2018 and €0.0 million in H1/2017

Corporate.

Higher expenses in H1/2018 more than compensated by land sale in Canada

Sales	EBIT[1]
€17.6m	**€-13.1m**
>100% vs PY	**+5%** vs PY

- Higher **sales revenue** resulting primarily from services to former business unit Performance Products (PP) sold in Q4/2017 and thus reported as third party sales
- Recurring **EBIT** improved slightly by €0.7 million due to €3.9 million gain from a land sale in Canada, which more than compensated for
  - Costs for the implementation of the Operations Management System (OMS)
  - End of cost pass through to former PP activities, which have now been sold

[1] before non-recurring items of €3.1 million in H1/2018 and minus €0.8 million in H1/2017

Group.

Improvement in H1/2018 driven by better operations and high positive one-time effects

Sales	EBIT[1]	Financial result	Net result
€529.3m	€44.2m	€-13.7m	€47.3m
+22% vs PY	+96% vs PY	+48% vs PY	>100% vs PY

- **EBIT before** non-recurring items doubled to €44.2 million
  - Acquisition driven higher earnings contribution from CFM
  - Substantially improved earnings in GMS (including a temporary impact of €10.4 million from IFRS 15)
  - Income from a land sale in Corporate
- **Non-recurring items** predominantly relate to accounting effects relating to the purchase of remaining shares in former JVs with BMW and Benteler
- **Net financing result** nearly halved due to the repayment of the corporate bond and the convertible bond

[1] before non-recurring items of €26.8 million in H1/2018 and minus €6.8 million in H1/2017

Cash flow.

H1/2018 improvement in operation cash flow offset by acquisition of our joint ventures

Operating Cash Flow	Capex	Free Cash Flow cont.	Free Cash Flow disc.
€-7.8m	**€21.9m**	**€-39.0m**	**€62.6m**
+79% vs PY	**+49%** vs PY	**-31%** vs PY	>100% vs PY

- **Cash flow from operating activities** improved significantly by €29 million due to better operating result and lower increase in working capital
- **However, free cash flow** declined following higher **cash outflow from investing activities mainly** due to
  - Cash outflow for the payment of the Wackersdorf site of former SGL ACF of €23.1 million
  - Only slightly offset by proceeds from the disposal of our stake in SGL Kümpers (€3.4 million) and a land sale in Canada (€3.9 million)
- **Free cash flow from discontinued operations** contained the cash inflow from the final outstanding payments for the sale of former PP activities

Balance sheet.

June 30, 2018 financial ratios within targets even after acquisition driven higher debt

Equity ratio	Net financial debt	Gearing	Leverage ratio
34.9%	**€211.1m**	**0.40**	**1.8**
+530bps vs YE 2017	**52%** vs YE 2017	**+33%** vs YE 2017	**+18%** vs YE 2017

- **Equity ratio** improved by 530bps mainly due to
  - Positive net result of the period of €47 million
  - Adoption of IFRS 15 and IFRS 9 on transition date January 1, 2018 amounting to €13.8 million
  - Adoption of higher interest rates on pension liabilities led to a positive impact of €10.8 million
- **Total liquidity** decreased mainly due to
  - Repayment of the convertible bond in January 2018
  - Payment for the Wackersdorf facility of former SGL ACF
- Higher **net financial debt** reflects initial consolidation of the proportional debt relating to the full consolidation of former SGL ACF amounting to €92 million

1 Results H1/2018

2 Outlook 2018, Dr. Jürgen Köhler

Outlook 2018. Business Units

	Sales		EBIT[1]	
CFM	~ +25% vs PY	Guidance unchanged - adjusted for FX and structural effects **mid to high single digit growth** Stronger demand in **automotive** and **aerospace** likely to offset greater weakness in **wind energy**	Slight increase vs PY	Prior **EBIT[1]** guidance impacted by weakness in **wind energy** and **textile fibers** partially offsetting higher earnings contribution from acquisitions and improved demand in most market segments
GMS	Slight increase vs PY	Guidance unchanged - adjusted for FX **mid to high single digit growth** On top: low double digit million € **IFRS impact** (previously: single digit million €)	Strongly outpacing sales growth	Now expect **EBIT[1]** to substantially outpace sales growth (previously: slightly outpace) mainly driven by successful **price increase initiatives** On top: Positive mid to high single digit million € **IFRS impact** (prev.: low single digit million €)
Corp.		N.a.	Slight deterioration vs PY	Guidance unchanged

[1] before non-recurring items

Outlook 2018. Group

Sales

Slightly more than +10%
vs PY

- Previous guidance: approx. +10%
- Adjusted for FX and structural effects, high single digit growth rate (previously: mid to high single digit)
- On top: low double digit million € IFRS impact (previous: single digit)

EBIT[1]

Slightly outpacing sales growth

- Implicit guidance increase based on higher expected sales

Net profit

Low to mid double digit m € amount

- Previous guidance: low double digit million € amount
- Guidance increase based on better than expected EBIT and higher than anticipated IFRS impact

Capex

Approx. €20m higher than depreciation

- Previous guidance: €15-25 million above level of depreciation of €65 million

[1] before non-recurring items

Outlook 2018. Group

Despite acquisition driven higher net debt, financial targets will continue to be met

Net debt	Equity ratio	Gearing	Leverage ratio
Substantially higher vs PY	**>30%**	**Max. 0.5**	**Max. 2.5**

Guidance unchanged

Capital Markets Day 2018

- October 11, 2018 (with informal dinner on October 10, 2018)
- Venue: our largest production site in Meitingen (Germany), near Augsburg/Munich
- Meet members of the business unit management and Corporate Innovation teams
- In depth presentations and “show-and-tell” of products, production processes, markets, strategies
- Site visit of our new Lightweight and Application Center
- …. and much more!

We are looking forward to welcoming you to Meitingen!

Thank you for your attention !

Appendix:
Latest results & outlook in detail

Composites – Fibers & Materials.
Sales growth driven mainly by structural effects

in € million	H1/2018	H1/2017
Sales revenue	223.7	176.2
EBITDA[1]	33.7	22.9
EBIT[1]	17.3	12.4
EBIT-Margin[1] (in %)	7.7	7.0
$ROCE_{EBIT}$ (in %)	5.3	5.2

- **Sales revenue** increased by 27% (currency adjusted by 30%)
  - Primarily due to structural effects in the market segment **automotive** resulting from the initial consolidation of the former at-equity accounted JV Benteler SGL as well as the complete acquisition of the former partially consolidated JV SGL ACF
  - After the sale of our participation in SGL Kümpers, the market segment **wind** now only includes lower sales of carbon fibers to the wind energy industry
  - Higher sales in the market segments **automotive**, **aerospace** and **industrial applications**
  - Sales in the market segment **textile fibers** on prior year level
- Recurring **EBIT** increased by 40%
  - Highest earnings growth in the market segment **automotive**, particularly due to the full consolidation of former SGL ACF and Benteler-SGL
  - Partially offset by slightly lower earnings contribution from **wind** and **industrial applications**
  - Earnings in market segments **aerospace** and **textile fibers** on prior year level

[1] before non-recurring items of €23.3 million in H1/2018 and minus €6.0 million in H1/2017

Graphite Materials & Systems. Sales increase driven by strong underlying demand and IFRS 15 impacts

in € million	H1/2018	H1/2017
Sales revenue	288.0	255.1
EBITDA[1]	51.4	35.1
EBIT[1]	40.0	23.9
EBIT-Margin[1] (in %)	13.9	9.4
$ROCE_{EBIT}$ (in %)	14.8	9.6

- **Sales revenue** up 13 % (currency adjusted by 16%)
  - Initial adoption of IFRS 15 led to a partially temporary sales increase of approximately €17 million. Adjusted for this and currency effects, sales in GMS increased by around 10% reflecting the substantial recovery in the market segment **chemicals** as well as the double-digit growth in the market segments **LED**, **semiconductors**, and **automotive & transport**
  - The market segment **battery & other energy** benefited from higher demand, which was offset by price and currency effects
  - We have limited our sales in the market segment **solar** at prior year level, as we increased our deliveries to customers from the **semiconductor** and **LED** segments. Business with **industrial applications** remained slightly above prior year level
- Recurring **EBIT** increased by 67%, more than proportionately to sales
  - Including a partially temporary effect from the initial adoption of IFRS 15 of €10.4 million. Adjusted for this effect, EBIT increased by 24% mainly due to improved results in **nearly all market segments**
  - The only market segments that did not increase earnings compared to the prior year was **battery & other energy**, which is impacted by expected unfavorable currency exchange rates (esp. JPY) as well as higher raw material costs

[1] before non-recurring items of €0.4 million in H1/2018 and €0.0 million in H1/2017

Corporate.
Higher expenses more than compensated by land sale in Canada

in € million	H1/2018	H1/2017
Sales revenue	17.6	4.0
EBITDA[1]	-10.1	-10.9
EBIT[1]	-13.1	-13.8

- **Sales revenue** improved significantly due to the disposal of our former PP activities. Services to PP now recorded as sales to third parties
- Recurring **EBIT** improved by €0.7 million due to the earnings contributions of approx. €4 million from a land sale in Canada, which more than compensated for
  - Costs for the implementation of the Operations Management System (OMS)
  - End of cost pass through to former PP activities, which have now been sold

[1] before non-recurring items of €3.1 million in H1/2018 and minus €0.8 million in H1/2017

Group. Improvement driven by better operations and high positive one-time effects

in € million	H1/2018	H1/2017
Sales revenue	529.3	435.3
EBITDA before non-recurring items	**75.0**	**47.1**
EBIT before non-recurring items	**44.2**	**22.5**
$ROCE_{EBIT}$ (in %)	6.0	3.9
Non-recurring items	26.8	-6.8
EBIT	71.0	15.7
Net financing result	-13.7	-26.2
Results from continuing operations before income taxes	57.3	-10.5
Income tax expense and non controlling interests	-6.0	-7.0
Result from discontinued operations, net of income taxes	-4.0	13.9
Consolidated net result attributable to shareholders of parent company	**47.3**	**-3.6**

- **EBIT before** non-recurring items doubled to €44.2 million, due to acquisition driven higher results in CFM, improved earnings in the business unit GMS (including a temporary impact of €10.4 million from the first time adoption of IFRS 15) and an income of €3.9 million from a land sale in Canada in the reporting segment Corporate
- **Non-recurring items** predominantly relate to ppa effects relating to the purchase of remaining shares in former JVs with BMW and Benteler
- **Net financing result** was nearly halved due to the repayment of the corporate bond and the convertible bond

Free cash flow. Improved operational cashflow offset by cash outflow for the acquisition of our joint ventures

in € million (continuing operations)	H1/2018	H1/2017
Cash flow from operating activities	-7.8	-36.8
• Capital expenditures in property, plant, equipment and intangible assets	-21.9	-14.7
• Cash flow from other investing activities[1]	-9.3	21.8
Cash flow from investing activities	-31.2	7.1
Free cash flow	-39.0	-29.7
Free cash flow from discontinued operations	62.6	-0.9

- **Cash flow from operating activities** improved significantly mainly due to the improved result from continuing operations and lower build-up of working capital
- Higher **cash outflow from investing activities** due to
  - Cash outflow for the payment of the Wackersdorf site of former SGL ACF (now SGL Composites, Germany) of €23.1 million
  - Only slightly offset by proceeds from the disposal of our stake in SGL Kümpers (€3.4 million) and a land sale in Canada (€3.9 million)
- **Free cash flow from discontinued operations** contained the cash inflow from the final outstanding payments for the sale of former PP activities

[1] 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. Financial ratios remain in the targeted range after acquisition of remaining stakes in former JVs

in € million	30.06.2018	31.12.2017
Equity ratio (in %)	34.9	29.6
Total liquidity (incl. discontinued operations in 2017)	158.0	382.9
Net financial debt	211.1	139.0
Gearing (net debt/equity)	0.40	0.30
Leverage ratio (net debt/EBITDA)	1.8	1.5

- **Equity ratio** improved by 530bps mainly due to
  - Positive net result of the period of €47 million
  - Adoption of IFRS 15 and IFRS 9 on transition date January 1, 2018 amounting to €13.8 million
  - Adoption of higher interest rates on pension liabilities led to a positive impact of €10.8 million
- **Total liquidity** decreased mainly as a result of the repayment of the convertible bond in January 2018 and the payment for the Wackersdorf facility as part of the acquisition of SGL Composites, Germany (former JV with BMW)
- Higher **net financial debt** reflects initial consolidation of the proportional debt relating to the full consolidation of SGL Composites amounting to €92 million

Business Unit outlook 2018.
CFM

Composites – Fibers & Materials (CFM)

- Substantial **increase** in **sales by 25%**
  - Mainly driven by acquisition of former joint ventures with BMW and Benteler
  - Accordingly sales in market segment **automotive** to more than double, while sales with the **wind** energy industry should decline by more than half due to the sale of SGL Kümpers and lower customer demand
  - Sales to market segment **aerospace** expected to increase slightly
  - Sales to market segments **industrial applications** and **textile fibers** expected on prior year level
  - Like-for-like (i.e. excluding currency and M&A effects) **mid-to-high single digit growth** rate expected
  - No material impact from initial IFRS 15 adoption
- Only slight increase of **EBIT**[1] cannot be ruled out
  - Positive impact from full consolidation of former joint venture with BMW and higher volumes
  - Partially offset by negative currency effects and higher development expenses
  - Weaker than expected operating trends in wind, textile fibers and industrial applications
  - No material impact from initial IFRS 15 adoption
  - Highest quarterly earnings of this fiscal year is likely to have been achieved in the first quarter 2018 due to the high capacity utilization as well as high shipments for particular projects

[1] before non-recurring items (including PPA)

Business Unit outlook 2018.
GMS and Corporate

Graphite Materials & Systems (GMS)

- Slight increase in **sales** – corresponding to currency adjusted **mid-to-high single digit** sales growth
  - Driven by market segments **LED**, **automotive & transport** as well as **semiconductor**
  - **Industrial applications and chemicals** expected to show slight increases in sales
  - **Solar** likely to remain on previous year level as we prioritize sales to market segments **LED** and **semiconductor**
  - Strong volume increase in market segment **battery & other energy**, offset by price and currency effects
  - Low double digit million Euro positive impact from the initial adoption of IFRS 15
- **EBIT**[1] improvement to substantially outpace sales growth
  - Driven by market segments **LED**, **automotive & transport** as well as **semiconductor**
  - Higher capacity utilization to partially compensate for adverse currency effects
  - Mid to high single digit million Euro positive impact from the initial adoption of IFRS 15
- Group $\mathbf{ROCE_{EBIT}}$ target of 9-10% should be achievable again in this business unit

Corporate

- Slightly higher expenses due to
  - General cost increases (esp. wage increases)
  - Higher consulting fees (OMS, new data protection directive)
  - Partly offset by one-off income from a land sale in Canada recorded in Q1/2018

[1] before non-recurring items

Group outlook 2018.
Further improvement in the profit and loss statement

- Full year **Group sales** to increase by slightly more than 10%, corresponding to a like-for-like (i.e. excluding currency and M&A effects) **high single digit growth** rate. In addition, we anticipate a low double digit million € positive impact on Group sales from the initial adoption of IFRS 15
- **Group recurring EBIT**[1] to increase at a slightly faster pace than sales due to
  - Expected volume increases
  - Successful implementation of pricing initiatives
  - Additional earnings contribution from the full consolidation of the former joint venture with BMW
  - Cost savings
  - Partially offset by adverse effects from personnel and raw material cost, and foreign currency developments
  - In addition, we anticipate a mid to high single digit million € positive impact from the initial adoption of IFRS 15
- **Net result – continued operations** to improve to a low to mid double digit € million amount due to
  - Improved operating profit (including IFRS impacts)
  - Lower interest expenses due to early redemption of corporate bond in October 2017 and repayment of convertible bond at maturity in January 2018 – partially offset by higher interest expenses relating to full consolidation of net debt of former JV with BMW
  - Impact from positive non-recurring effects in Q1/2018

[1] before purchase price allocation and non-recurring items

Group outlook 2018. Capex/acquisitions drive higher net debt but all balance sheet targets remain intact

- **Capex** to increase compared to prior year to approx. € 20 million above level of depreciation
  - Level of depreciation increases to €65 million (before PPA) due to full consolidation of former joint ventures
  - Previous guidance range narrowed down due to progress in the year and low capex in H1 2018
  - Mid term guidance of average capex at depreciation levels remains valid but capex requirements are front end loaded
- **Total free cash flow** to reach a “black zero”
  - **Free cash flow – continued operations** to improve significantly but remain negative in low-to-mid double digit range mainly due to high capex level and cash outflow for the acquisition of the Wackersdorf site in the former joint venture with BMW
  - **Free cash flow – discontinued operations** to reach positive mid double digit range due to payment of final instalments of purchase price for disposal of GE and CFL/CE
- **Net debt** at end 2018 to substantially increase due to the full consolidation of former joint venture with BMW
- **Balance sheet targets** will continue to be met - **equity ratio** at or above 30%, **gearing** at or below 0.5 and **leverage ratio** at or below 2.5

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 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.