Press Release

Wiesbaden, May 7, 2019

SGL Carbon gets off to a good start in fiscal 2019

- Group sales revenue increased by nearly 10 percent driven by organic growth in the market segments Digitization, Energy, Chemicals and Industrial Applications
- Group recurring EBIT at almost 19 million euros; adjusted for the positive one-time effect from a land sale in 2018, group recurring EBIT increased by approximately 2 million euros
- In summary, Group EBIT in the first quarter of 2019 came in slightly higher than forecasted. As announced in March 2019, EBIT in the business unit Composites – Fibers & Materials (CFM) at break-even reflected the weak development seen in the fourth quarter 2018, whereas the business unit Graphite Materials & Systems (GMS) achieved a record result
- Dr. Jürgen Köhler, CEO of SGL Carbon: “We are convinced that we will again perform well this year despite the slowing economic growth across the globe”
- SGL Carbon confirms guidance 2019
- Refinancing measures completed with the successful placement of a corporate bond in the amount of 250 million euros in April and the signing of a syndicated loan in the amount of 175 million euros in January

SGL Carbon got off to a good start in fiscal year 2019. In the first quarter, sales revenue grew significantly by approximately 10 percent to reach 289 million euros. Group recurring EBIT grew to nearly 19 million euros, up approximately 2 million euros compared to the prior year period adjusted for a positive one-time effect of around 4 million euros. The company confirms its guidance for 2019 and continues to expect a mid single digit percentage sales increase and a Group recurring EBIT on the prior year level. As previously guided, a break even consolidated net result is expected. It should be noted in this context that the prior year benefited from a non-cash positive non-recurring item of about 28 million euros resulting from the full consolidation of SGL ACF. In addition, SGL Carbon plans increased expenses in the financial result mainly from the issue of the corporate bond in the amount of 250 million euros in April 2019. Together with the syndicated loan signed in January 2019 in the amount of 175 million euros, the refinancing measures are now completed. Thus, the company is financed until 2023 with respect to existing financial liabilities.

“Overall, we are satisfied with our start in fiscal year 2019,” says Dr. Jürgen Köhler, CEO of SGL Carbon. “We are convinced that we will again perform well this year despite the slowing economic growth across the globe because as the new SGL Carbon, with our focus on e-mobility, energy supply, and digitization, we are more diversified and customer-focused than ever before.”

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In the first quarter of 2019, sales revenue of SGL Carbon increased significantly by nearly 10 percent to 288.8 (previous year: 263.4) million euros. The increase is primarily attributable to higher deliveries by the business unit Graphite Materials & Systems (GMS). Recurring EBIT decreased by 9 percent to 18.7 (previous year: 20.5) million euros. Adjusted for an income of 3.9 million euros from a land sale in the prior year, recurring EBIT of SGL Carbon improved by 2.1 million euros. This is due to the fact that the decline in earnings in the business unit Composites – Fibers & Materials (CFM) was more than offset by the significant improvements in operating earnings in the business unit GMS and in Corporate. The return on capital employed (ROCE) based on recurring EBIT was 5.0 (previous year: 5.2) percent. In the first quarter of the prior year an adjustment to the fair value of the net assets of the previously proportionally consolidated joint operation with the BMW Group (SGL ACF) was required. This resulted in a positive impact on non-recurring earnings amounting to 28.4 million euros. As a result, EBIT after non-recurring items decreased to 16.3 (previous year: 47.2) million euros. Because of a positive foreign currency effect, net financing result improved from minus 7.0 to minus 6.2 million euros. Mainly due to the non-recurrence of the positive non-recurring item in the prior year, the result from continuing operations before income taxes decreased significantly from 40.2 million euros to 10.1 million euros in the reporting period. Consolidated net result of the period amounted to 8.9 million (previous year: 32.2) million euros.

Composites – Fibers & Materials (CFM): Stable sales revenues; earnings characterized by margin decrease in the Textile Fibers segment

Sales revenues in the business unit CFM remained, as expected, on the prior year level of 115.0 million euros (currency adjusted: minus 2 percent). While the market segment Wind Energy recorded strong growth compared to the very weak prior year, the market segment Industrial Applications posted lower sales. Sales in the market segments Automotive, Aerospace and Textile Fibers remained approximately on the prior year level. As anticipated, recurring EBIT reflected the developments seen in the fourth quarter 2018 and reached a break even result at 0.4 (previous year: 9.3) million euros. Accordingly the EBIT margin in the business unit decreased to 0.3 (previous year: 8.1) percent. The main reason for this development was the significant price decrease in acrylonitrile, the raw material for the business in the market segment Textile Fibers. This led to a substantial reduction in the selling prices, while the inventory of raw materials was still valued at higher prices, leading to a temporary margin contraction, which slightly eased in March. The market segment Wind Energy also recorded declining earnings due to a temporary unfavorable product mix. In contrast, the earnings levels in the remaining market segments Automotive, Aerospace and Industrial Applications remained approximately on the prior year level. Return on capital employed (ROCE) based on recurring EBIT of the reporting unit CFM reached 1.8 (previous year: 5.0) percent.

Graphite Materials & Systems (GMS): Very strong increase in sales revenues, particulary in the Semiconductor, LED and Automotive businesses; earnings increased significantly more than proportionately to sales

Sales revenue in the reporting segment GMS in the first quarter 2019 increased by 17.2 percent (currency adjusted: 14 percent) to 164.2 (previous year: 140.1) million euros. The main drivers for this development were the market segments Semiconductor and LED, which increased their sales substantially more than 50 percent. The market segment Automotive & Transport also grew more than proportionately and increased its sales by more than 40 percent . Substantial growth was also recorded in the market segment Industrial Applications, while the market segment Chemicals posted slight growth. As expected, sales in the market segment Battery & other Energy remained on the prior year level while in the market segment Solar, sales were again limited to below the prior year level to prioritize sales to the Semiconductor and LED industries. In total, recurring EBIT increased substantially more than proportionately by 54 percent to a record level of 25.9 (previous year: 16.8) million euros. This led to a significantly higher EBIT margin that increased from 12.0 percent to 15.8 percent due to improved results in most market segments. Only the market segments Solar and Chemicals posted earnings on the prior year level. Despite higher sales, earnings in the market segment Automotive & Transport declined due to customary start up costs relating to new projects, which are expected to decline in the course of the year. Return on capital employed (ROCE) based on recurring EBIT of the reporting unit GMS reached 17.4 (previous year: 13.4) percent.

Corporate: Increase in sales revenue; earnings above prior year level adjusted for one-time effect from a land sale

In the first quarter 2019, sales in the reporting segment Corporate increased by 16 percent (no currency effect) to 9.6 (previous year: 8.3) million euros mainly due to substantially higher sales in the market segment Energy. This relates to sales of the central research & development department (Central Innovation) for fuel cell components. Recurring EBIT reached minus 7.6 million euros and thus was below the prior year level of minus 5.6 million euros. However, the prior year included a positive effect from a land sale in Canada in the amount of 3.9 million euros. Adjusted for this effect, EBIT improved due to lower costs because of last year's implementation of the Operations Management System (OMS) as well as lower expenses of our central research and development activities due to increased earnings contribution from the business with fuel cell components.

Free cash flow from continuing operations noticeably improved

Cash flow from continuing operating activities improved noticeably by 19.4 million euros to 4.1 (previous year: minus 15.3) million euros. The increase was mainly due to a reduced increase in working capital. Cash flow from investing activities decreased from minus 25.0 million euros in the prior year period to minus 7.8 million euros, mainly because the net cash payment for the acquisition of the SGL Composites company in Wackersdorf (Germany) amounting to 23.1 million euros was included in the prior year period. Capital expenditures in intangible assets and property plant and equipment in the reporting period increased significantly by 88 percent to 15.4 (previous year: 8.2) million euros. Free cash flow from continuing operations in the reporting period improved significantly to minus 3.7 (previous year: minus 40.3) million euros.

As of March 31, 2019, total assets of SGL Carbon reached 1,621.7 million euros and thus slightly above the year's end number (December 31, 2018: 1,585.1 million euros). With 534.4 million euros, shareholders' equity basically remained on the same level, whereas the equity ratio slightly decreased to 33.0 percent as of end of March (December 31, 2018: 33.5 percent) due to the increase in total assets after the first-time adoption of IFRS 16.

SGL Carbon confirms its guidance for 2019

The fiscal year 2018 was impacted by positive effects from the initial adoption of IFRS 15 as well as positive non-recurring items resulting from the full consolidation of the former SGL ACF. This high comparative base influences the outlook for the current year. In addition, SGL Carbon acknowledges reports on a global economic slowdown. Nevertheless, the company continues to anticipate a mid single digit percentage group sales increase for 2019, which will mainly be volume driven. Group EBIT (before non-recurring items and purchase price allocation) is expected to stabilize on the prior year level, which recorded a substantial increase.

After a consolidated net profit of approximately 41 million euros in the fiscal year 2018 consolidated net result in the fiscal year 2019 is expected to break even. It should however be noted that the previous year benefited from a non-cash positive non-recurring item in the amount of 28 million euros relating to the full consolidation of SGL ACF. In addition, SGL Carbon plans increased expenses in the financial result mainly from the issue of the corporate bond in April 2019 which was issued to refinance maturities due at the end of 2020.

For fiscal year 2019, SGL Carbon continues to expect capital expenditure of approximately 100 million euros after 78 million euros in the prior year. Net financial debt at year-end 2019 is anticipated to be a mid double-digit euro amount higher than at year end 2018 mainly due to higher capital expenditures as well as increasing interest expenses. SGL Carbon will, however, remain within its target leverage ratio (ratio of net financial debt to EBITDA) of below 2.5. As previously announced, the target gearing level of approximately 0.5 could temporarily be exceeded due to additional capital expenditures in the years 2019 through to 2021.

Unchanged guidance for CFM: Sales growth in mid-single-digit percentage range; EBIT to remain nearly unchanged

For the reporting segment CFM, SGL Carbon continues to expect a mid-single-digit percentage sales growth, mainly driven by higher volume growth. Recurring EBIT in this business unit should approximately reach the prior year level despite the weak first quarter, as the high priced raw material inventory in the market segment Textile Fibers have been consumed in the first quarter and the lower raw material prices should benefit our business in the further course of the year. In addition, SGL Carbon anticipates higher project billing and an improved product mix in the following quarters.

Unchanged guidance for GMS: Sales and earnings approximately on the high prior-year level

In the prior year, sales in the reporting segment GMS were substantially positively impacted by the initial adoption of IFRS 15. Against this background, for the fiscal year 2019, SGL Carbon continues to anticipate sales approximately on the same high level of the prior year. The same applies to the EBIT in the business unit GMS, which was also boosted by positive IFRS 15 effects. Despite the strong first quarter, SGL Carbon expects full year 2019 EBIT approximately on the same level as in the prior year, as the company is planning somewhat lower volumes and higher costs in the coming quarters. The business unit GMS should therefore once again exceed the target EBIT margin of 12 percent (before non-recurring items) and thus confirm that this business model is robust even in a weakening global economic environment.

Key Figures of SGL Carbon
(in million euros)

	Q1 2019	Q1 2018	Change
Sales revenues	288.8	263.4	9.6%
EBITDA before non-recurring items	36.3	36.1	0.6%
Operating profit (EBIT) before non-recurring items	18.7	20.5	-8.8%
Return on sales (EBIT margin) [1)]	6.5%	7.8%	-1.3%-points
Return on capital employed ($ROCE_{EBIT}$) [2)]	5.0%	5.2%	-0.2%-points
Operating profit (EBIT)	16.3	47.2	-65.5%
Consolidated net result from continuing operations	8.9	36.4	-75.5%
Result from discontinued operations, net of income taxes	0.0	-4.2	100%
Consolidated net result	8.9	32.2	-72.4%
Earnings per share, basic and diluted (in €) continuing operations [3)]	0.07	0.26	-73.1%
Payments to purchase intangible assets and property, plant & equipment	-15.4	-8.2	-87.8%
Free cash flow from continuing operations	-3.7	-40.3	90.8%

	31. March 2019	31. Dec. 2018	Change
Total assets	1,621.7	1,585.1	2.3%
Equity attributable to shareholders of the parent company	534.4	531.6	0.5%
Net financial debt [4)]	263.6	242.2	8.8%
Debt ratio (Gearing) [5)]	0.49	0.46	–
Equity ratio [6)]	33.0%	33.5%	-0.5%-points
Employees	5,082	5,031	+1.0%

1 Ratio of EBIT before non-recurring items to sales revenue
2 EBIT before non-recurring items 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 (previous year: 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 2018, SGL Carbon SE generated sales of around 1 billion euros. The company has approximately 5,100 employees at 33 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 at www.sglcarbon.com/press.

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.

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