

Broad Base. Best Solutions.



SGL GROUP
THE CARBON COMPANY

Update on the transformation of SGL Group

Commerzbank German Investment Seminar | New York | January 2017

Agenda.

Update on strategic realignment

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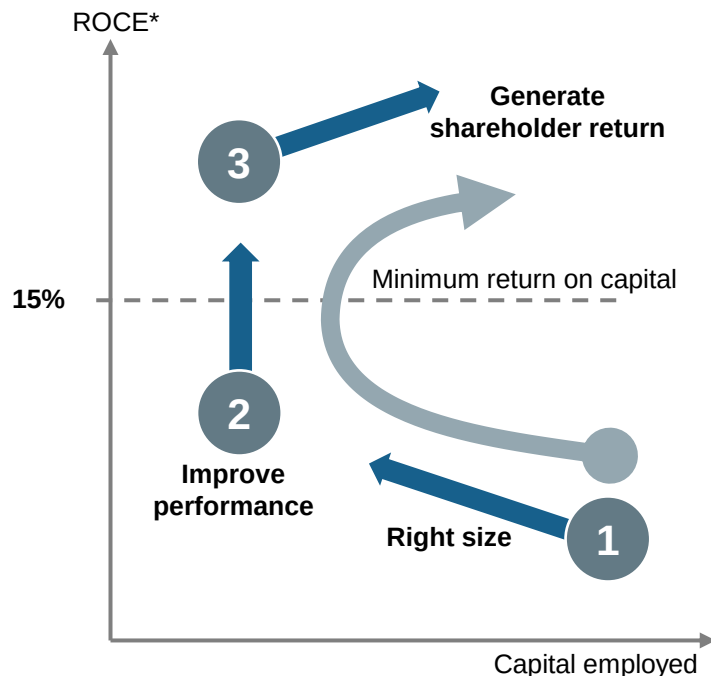


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Update on strategic realignment

We are fully on track in achieving our strategic realignment.

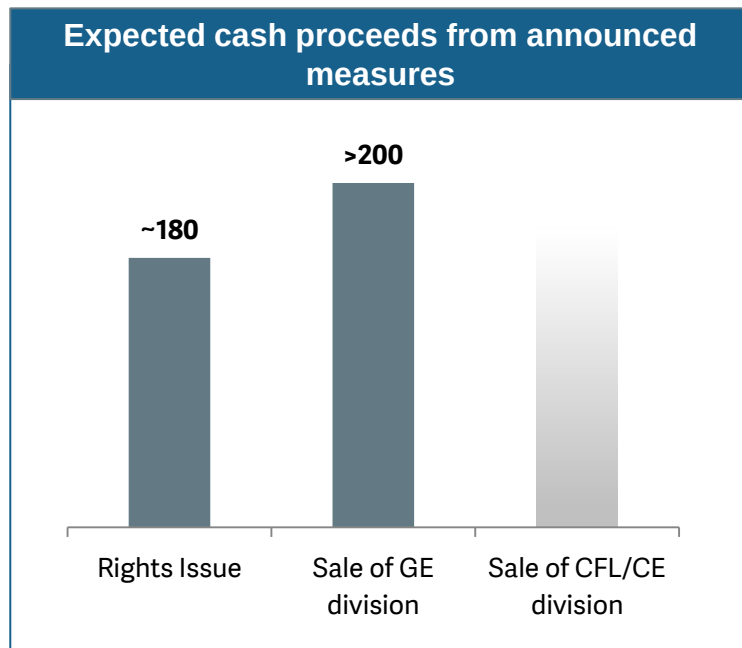


	Status
1) Right size Disposal Rotorblades Disposal HITCO Sale of GE (signing) Sale of CFL/CE	✓ACHIEVED ✓ACHIEVED ✓ACHIEVED 2017
2) Improve performance SGL2015** SGL Excellence BU streamlining Project CORE*** Strengthening capital structure	✓ACHIEVED ✓ONGOING ✓ACHIEVED LAUNCHED ONGOING
3) Generate shareholder return with profitable growth CFM: CFM 2020+ GMS: Growth strategy 2020	LAUNCHED LAUNCHED

*EBITDA divided by capital employed; **In mid-2013, the Group implemented the SGL2015 cost savings program. Initially, based on actual costs in 2012, savings of approximately €150 million were targeted through the end of 2015. The Group increased its savings target gradually to €240 million to be achieved by the end of 2016. At the end of Q3/2016, the cumulative savings reached €228 million. Since the cumulative savings target of €240 million includes the incurred losses of €15 million in 2012 of the now disposed HITCO (aerostructures) and SGL Rotec (rotor blades), the target has now been reached; ***Savings target of €25 million is currently expected to be achieved by the end of 2018

Clearly defined deleveraging building blocks.

We are fully committed to reducing leverage



Rights issue in December 2016 already started to improve our ratios

- Pro forma equity ratio as of September 30, 2016 including proceeds from capital increase 15% (instead of 6%)
- Pro forma gearing as of September 30, 2016 including proceeds from capital increase 1.64 (instead of 6.12)

Sale of Graphite Electrodes (GE)

- Agreed SPA with Showa Denko announced on 20 October 2016
- Enterprise Value of €350 million/cash proceeds of at least €200 million expected
- Closing expected in the first half of 2017

Sales of Cathodes, Furnace Linings, Carbon Electrodes (CFL /CE)

- Sales process has been initiated - we are not starting from the beginning, since we had initially prepared for a sale of the entire former business unit PP
- During the initial PP disposal process, several parties expressed their interest in acquiring the CFL/CE business
- CFL/CE business is both cash and earnings profitable on a sustainable basis (FY 2015: sales €159 million; EBITDA €34 million)
- We expect to sign a contract in the course of 2017

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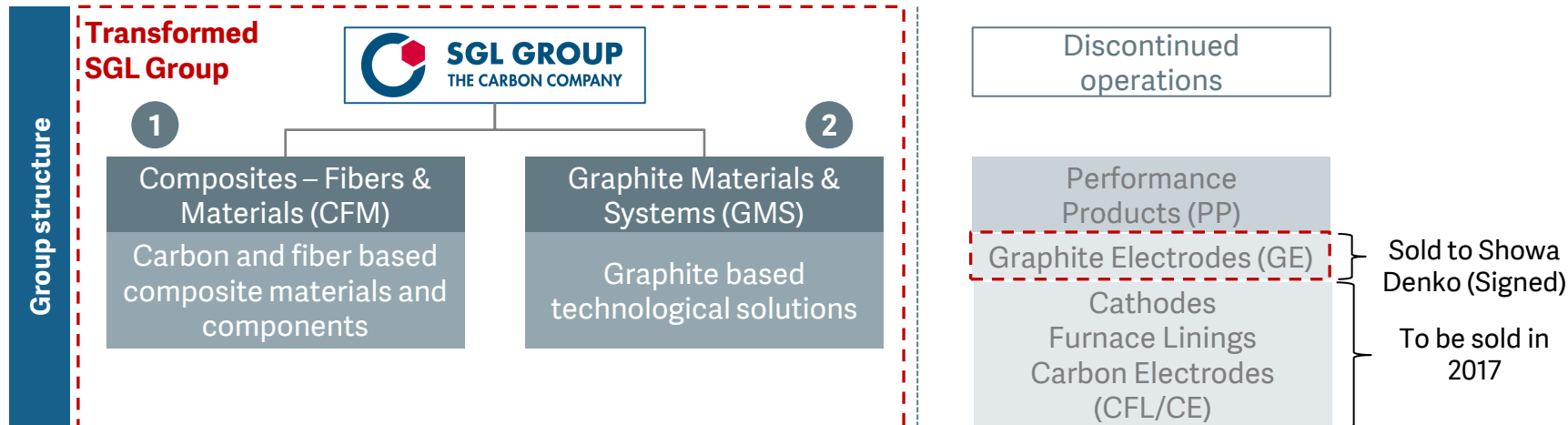
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A stylized world map in a light gray, hatched pattern serves as the background. A solid red rectangle is superimposed over the center of the map, covering North and South America and parts of Europe and Africa.

The transformed SGL Group

The transformed SGL Group.

We are delivering on our announced strategy



- ✓ Divestiture of PP/GE business will enable the remaining SGL Group to **focus its resources on the growth areas CFM and GMS**
- ✓ Focus on CFM and GMS will better balance markets and industries, and thus **reduce volatility in our business**
- ✓ We lead in **technologies and innovations** benefiting from **global megatrends such as mobility, energy, and digitization**

Carbon and graphite. Materials with extraordinary properties provide solutions for megatrends



- Business units focus on end markets that are **attractive** and **fast growing** due to **underlying global megatrends** (energy, mobility and digitization)
- High share of **customer-specific products, tailored applications** and **solutions**
- We are among the **innovation leaders** in our markets due to our **high performance materials competence** based on **carbon** and **graphite**
- In-depth knowledge and control of the complete **graphite** and **carbon fiber value chain** provides opportunities for **product customization**
- **Forward integration** into finishing technologies (GMS) and composite materials/ components (CFM) is key for **differentiation**, provides a **competitive advantage**, and **enables participation in market growth**
- Based on our **materials competence, technology** and **innovative strength** we develop products which
 - serve as **key enablers of innovation** in target industries and/or
 - provide **vital products** for our **customers' value chains**
- Our long-term goal is to be the **development partner** for **fundamental solutions** based on **carbon fibers, graphite** and **composite materials** worldwide

Solutions for global megatrends.

We serve a broad range of fast growing industries

Expected market growth

		Energy ⁽¹⁾	Digital Lifestyle	Mobility	
Expected SGL growth	1				
	CFM	Carbon fibers/materials/components >10%⁽⁴⁾	Wind energy, pressure vessels ~10%⁽¹⁾	Mobile 3C devices 7-9%⁽²⁾	Aerospace, automotive, pressure vessels 3-5%⁽³⁾
	2	Battery materials 6-8%⁽⁴⁾	Stationary energy storage	Lithium ion batteries	
		GMS	GMS high growth product groups ⁽⁵⁾ GMS medium growth product groups ⁽⁶⁾ 3-6%⁽⁴⁾	Solar, polysilicon, LED nuclear, stationary energy storage, heat recovery, etc.	LED, semiconductor Sapphire glass

%

Approx. market growth, CAGR 2015-2020

Market potential 2015:

■ < € 50 mill.

■ > € 50 mill.

■ > € 100 mill.

(1) Energy efficiency, storage, reversal of energy generation and climate change (10% growth rate represents renewable energy)
Source: BP Energy Outlook, own estimates

(2) CCEV, Technavio, GreenTech Media, Siemens (3) CCEV, Yole Développement, Avicenne Energy

(4) Company's own estimates

(5) Product Groups: Isostatic, Fiber materials

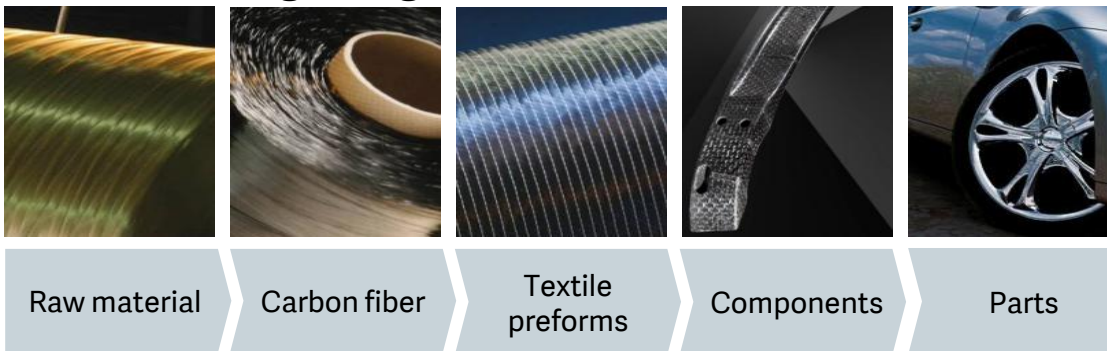
(6) Product Groups: Extruded/Vibro, DieMolded, Expanded, Process technology

1 CFM: Specialist for Composites.

Solutions for the material mix of the future

- CFM is an **expert for fibers and materials for composites**. We believe we are the only European based supplier, active along the **entire value chain**
- With the development of a new generation of industrial carbon fibers we became a **technologically leading company**. Such fibers offer the same or even **higher qualities** as other carbon fibers at **lower manufacturing costs**
- **Key drivers for growth: Automotive, aerospace and wind energy**

Value chain for lightweight construction materials based on carbon fibers



- Carbon fiber reinforced plastic is 50% lighter compared to aluminum and 70% to steel
- Significantly lower fuel and kerosene consumption
- Driver for global CO₂-reduction

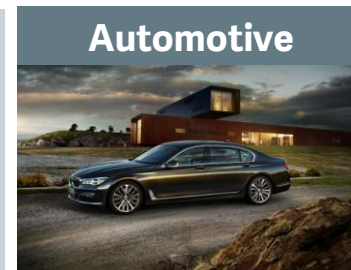
1 CFM: Growth driver Automotive.

Transfer existing know how industry wide

- Automobile manufacturers have to design **lighter cars**, driven by global regulations limiting CO₂ emissions and the resulting trend towards alternative drive trains
 - In Europe, car manufacturers could be required to reduce the average **CO₂ emissions** of their car fleet to below 75g/km until 2025 – this can only be done with lightweight design
 - The weight of hydrogen tanks or lithium ion batteries can be **offset with lighter materials**
- CFM has an **innovation lead** of several years in lightweight technologies. Our competencies were dedicated to the BMW Group, but are now being offered to the entire industry
- “Market maker approach”: OEMs expect from suppliers capability along the entire value chain including application and engineering know how – we can provide it!

Growth opportunities for SGL Group

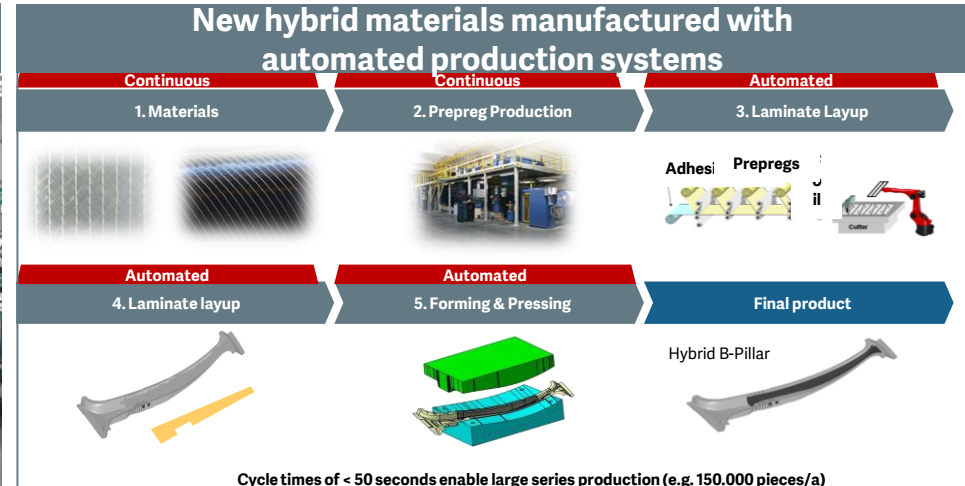
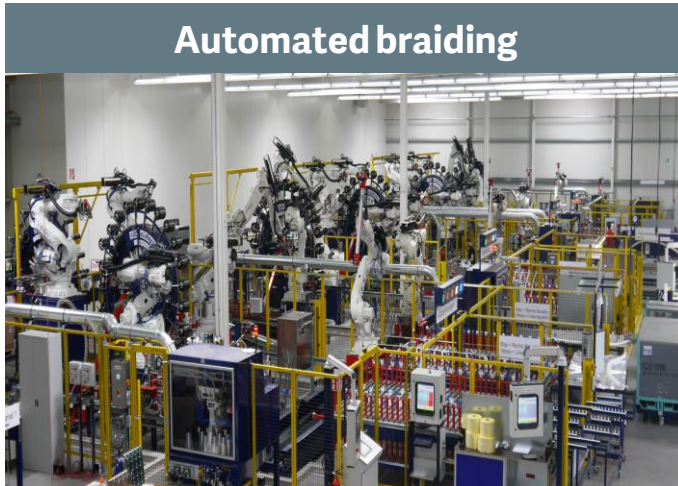
- **Extend offering of innovative fiber materials and composites** as showcased by the “Carbon Core” body of the new BMW 7 series where composites were used for the first time in **large scale automotive production**
- **Investment into the Lightweight and Applications Center in Meitingen (Germany)**, e.g. for the simulation and production of prototypes and small scale series
- **New development projects** with non-German car makers



1 CFM: Key differentiator in automotive.

Focus on industrializing carbon fiber usage

- Key to **increased usage of carbon fiber in automotive** is the ability to produce in **serial scale** and to provide **cost competitiveness** to other materials taking into account the substantial benefits of composite materials
- Name of the game is **automation**
 - We command a carbon fiber technology which is **ideally suited for use in automated processes**
 - We possess **technologies for automated processing of materials and production of components**



1 CFM: Growth driver Aerospace.

Exploit material competence in aviation sector

- CFM will transfer its lightweight competence from the automotive industry increasingly into the **aviation** sector with a new generation of **industrial carbon fibers**
 - Our heavy tow carbon fibers provide better performance and meet the same high quality standards – at **lower production costs**
 - The **surface of our carbon fibers** bonds exceptionally well with specific resin materials
- These composite materials show particular potential for **secondary structures** such as floor panels, cowlings, and landing gear doors

Growth opportunities for SGL

- **Dedicated development and marketing activities** for the aviation industry, particularly for commercial aircrafts
- **Serial delivery** to Airbus for its A350 model



1 CFM: Growth driver Wind Energy. Establish our carbon fiber and composite materials as state-of-the-art

- CFM will increasingly qualify its new generation of **industrial carbon fibers based on own precursor** into the wind energy industry
 - Our industrial grade heavy tow fiber is particularly suited for cost effective, automated processes
- Participate in expected strong market growth as one of the **leading players in Europe for glass and carbon fiber based composite materials** for the wind energy industry

Growth opportunities for SGL

- Regular deliveries of **composite materials to leading rotor blade producers** since 2007
- New: Qualification of our **50k carbon fiber with leading wind turbine producers**



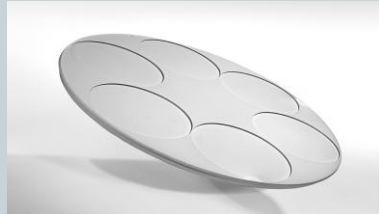
2 **GMS: Leading provider of engineered graphite solutions.** Development partner for our customers

- GMS is the **development partner – “enabler”** – for our customers with graphite based advanced technological solutions
- Offering products and solutions to **more than 35 industries**, the business unit is grounded on a broad base. GMS has **leading market positions** in many areas
- GMS benefits from the **megatrends energy supply and digitization**. GMS will continue to widen its technological portfolio and capture new regions
- **Key drivers for growth: Lithium-ion batteries, LEDs, the solar and semiconductor industries**

Selected applications



Energy storage



Ceramic coatings



Graphite foil



Sealing materials

2 GMS: Growth driver energy supply.

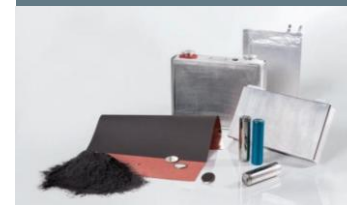
Expand leading position

- Our graphite solutions are used in **energy applications**. We participate in the rising usage of new battery generations
 - Our graphite anode materials are employed in **lithium ion batteries**, among others **for electric cars**. Demand for alternative drive trains is expected to grow strongly over the next years. The lithium ion battery market alone is expected to grow more than 12 % p.a.
- GMS is a globally leading development partner for **the solar and photovoltaic industry**
 - Our isostatic graphite is required in the value chain of the photovoltaic industry. Dynamic growth continues to be expected for this industry – approx. 12% for 2016⁽¹⁾

Growth opportunities for SGL

- Development of **next generation synthetic graphite/silicon anode materials** - higher storage capacity to increase range of electric cars
- Exploiting the **expanded isostatic graphite production center** (completed in 2014) in Bonn

Energy



Source: Avicenne Energy Analysis

(1) IHS

2 GMS: Growth driver Digitization.

LED and semiconductor industries drive demand

- GMS specializes in **surface coating technologies**. These are required in equipment for manufacturing polysilicon, LEDs, and semiconductors
 - Polysilicon demand for the semiconductor industry is expected to grow 11% per annum until 2017⁽¹⁾
 - Experts expect annual growth of 10% for the LED industry due to the strong demand for lighting applications⁽¹⁾
- Due to increasing requirements regarding size, quality, and supplier reliability, GMS is a **preferred supplier of key components** for new generation polysilicon production equipment

Growth opportunities for SGL

- **Close cooperation** with our customers in the further development of purified surface coatings for the LED and the semiconductor industries
- Expanding **coating technologies and capacities**
- **Strengthening regional and application competencies**



Source: World Semiconductor Trade Statistics

(1) IHS, LED Insight

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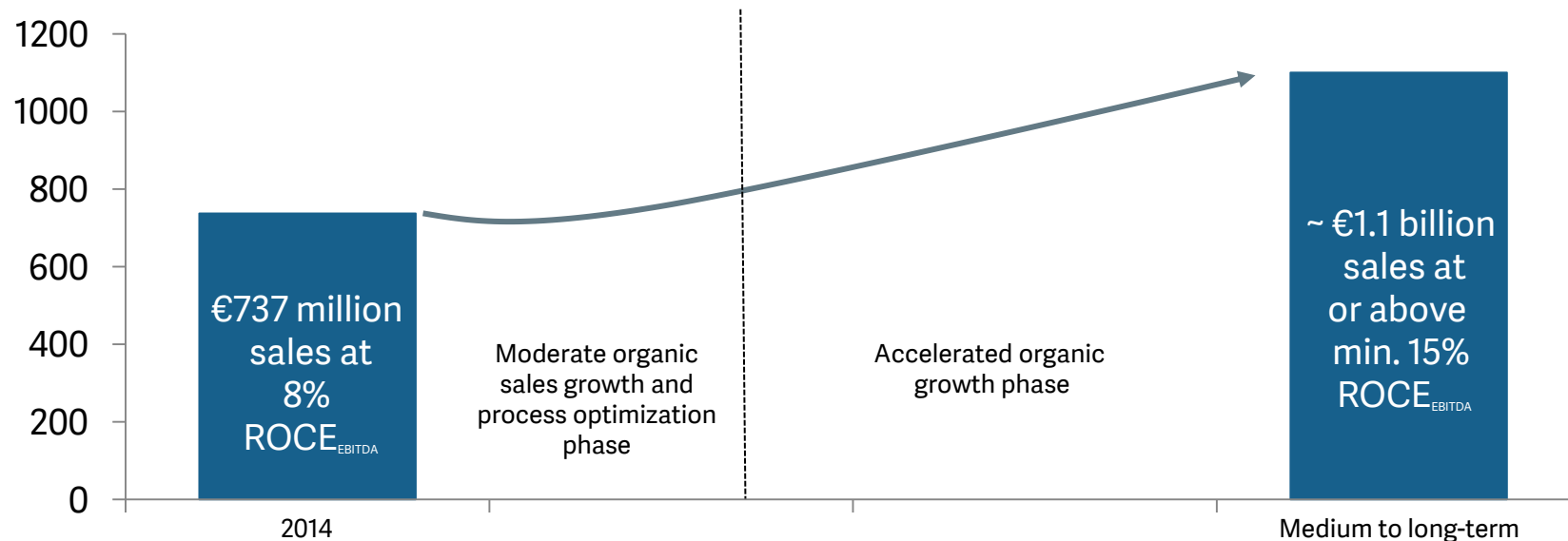
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A world map is shown in the background, rendered in a light gray color with a fine diagonal line pattern. A large, solid red rectangle is overlaid on the map, covering the Americas, Europe, and Africa. The text 'Our way forward' is written in white inside this red rectangle.

Our way forward

Target for GMS and CFM.

Profitable sales growth of 50%



Augmented by potential selective and accretive bolt on acquisitions to complement our portfolio in terms of region, technology, etc.

ROCE. Remains key management principle for managing the business

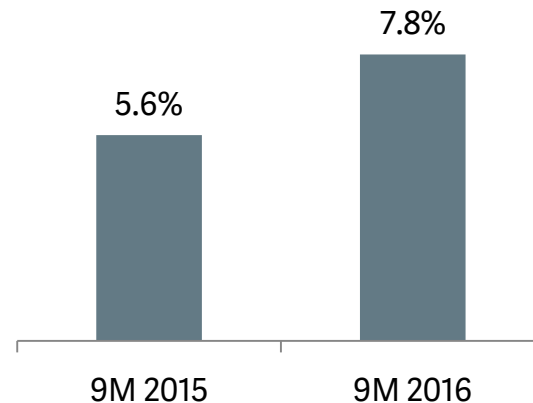
In 2014, we, the new Board of Management, introduced ROCE as new key management principle replacing ROS

We wanted to be held accountable for our stated targets and goals

As a result we implemented the ROCE target in all senior management layers, aligning their incentive system with ours

We started reporting ROCE on Group and BU levels on a quarterly basis, so that our progress can be tracked

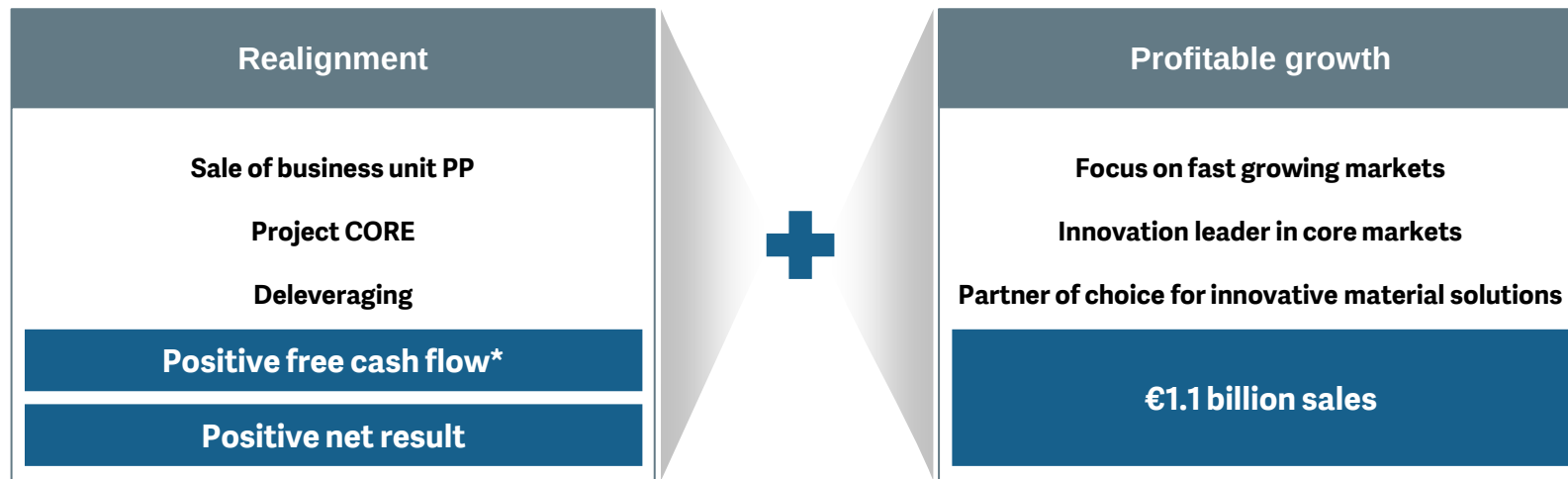
ROCE* development



While we are not yet where we want to be, we have made substantial progress toward our targeted ROCE $\geq 15\%$ *

* ROCE defined as EBITDA/Capital employed

Financial targets confirmed. We will continue to drive the transformation and the business forward



Net debt/EBITDA
< 2.5**

Gearing ~ 0.5

Equity ratio > 30%

ROCE ≥ 15%***

We believe to be able to achieve our financial targets in the medium to long term, with the announced realignment strategy and expected profitable growth in our core business GMS and CFM

* Excluding disposal proceeds

** Excluding Pensions

*** ROCE defined as EBITDA/Capital employed

The transformed SGL Group.

A compelling investment story



Globally leading high tech carbon and graphite based solutions provider with leading positions in attractive and fast growing markets

Broad product portfolio and excellent material competence driving growing share of customer-specific tailored solutions

Diversified customer base and long-standing relationships with industry leaders

Strong competitive position resulting from high barriers to entry and innovation leadership

High earnings improvement potential post strategic realignment based on sound capital structure and successfully implemented restructuring

Highly-qualified management team with extensive industry experience

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Thank you.

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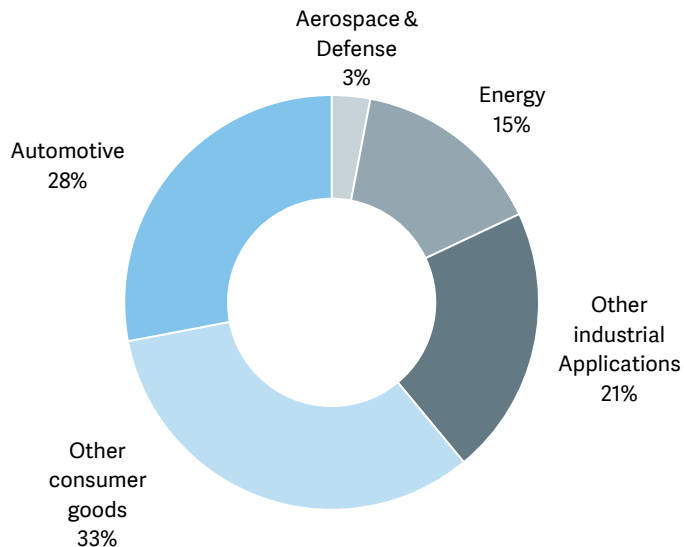
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A world map is shown in the background, rendered in a light gray color with a fine diagonal line pattern. A large, solid red rectangle is superimposed over the map, covering the continents of North and South America. The word "Backup" is written in white text within this red rectangle.

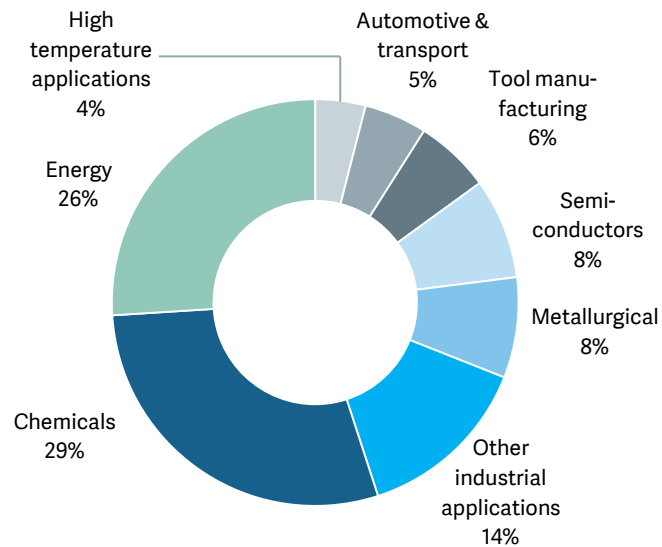
Backup

Key industries served. Portfolio balanced and diversified between markets and industries

Composites – Fibers & Materials (CFM)



Graphite Materials & Systems (GMS)



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Appendix

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Latest Financials 9M/2016

Composites - Fibers & Materials. Highest result since inception

in € million	9M/2016	9M/2015
Sales revenue	234.5	252.2
EBITDA*	32.5	28.5
ROCE _{EBITDA} (in %)	9.4	8.6
EBIT*	16.8	12.9
EBIT*-Margin (in %)	7.2	5.1

- **Sales revenue** decreased mainly due to raw material driven sales decline in textile acrylic fibers, where pricing is based on acrylonitrile/crude oil price development
- Significant increase in recurring **EBIT**
 - Completion of ramp up at SGL ACF (joint ventures with BMW Group)
 - Higher volumes and thus better capacity utilization in our own carbon fiber facilities
 - Higher profit contribution from HITCO materials business (exceptionally strong Q1/2016 due to invoicing of two major orders)
 - Improved result from At-Equity investments (now reported in CFM EBIT)
 - SGL Excellence savings of €2.0 million
 - Partially offset by higher expenses in composite materials relating to the buildup of the Lightweight and Application Center and ramp up costs for increased business

Graphite Materials & Systems. Mixed picture

in € million	9M/2016	9M/2015
Sales revenue	321.4	340.1
EBITDA*	35.3	43.8
ROCE _{EBITDA} (in %)	12.0	13.1
EBIT*	18.8	27.2
EBIT-Margin* (in %)	5.8	8.0

- **Sales revenue** down 5% (currency adjusted -6%)
 - Higher sales from solar, semiconductor, and LED industries
 - Offset by weaker North American business which was negatively impacted by reduced demand from energy related industries due to the low crude oil price
 - Demand for graphite (anode) materials for lithium ion battery industry continued at expected levels
- **Recurring EBIT** declined 31%
 - Positive one-time effects from last year (gain from land sale and insurance compensation)
 - Lower earnings contributions from energy related industries in North America
 - SGL Excellence savings €7.3 million

T&I and Corporate. Significantly lower expenses than prior year period

in € million	9M/2016	9M/2015
Sales revenue	6.2	6.5
EBITDA*	-18.8	-26.5
EBIT*	-22.8	-31.5

- Recurring **EBIT** improved by 28% due to
 - General cost savings
 - Lower provisions resulting from changed variable management remuneration components

Group. EBIT improvement driven by CFM and T&I and Corporate – Net result impacted by GE sale agreement



in € million	9M/2016	9M/2015
Sales revenue	562.1	598.8
EBITDA before non-recurring charges	49.0	45.8
ROCE _{EBITDA} (in %)	7.8	5.6
EBIT before non-recurring charges	12.8	8.6
Non-recurring charges	-0.6	-2.0
EBIT	12.2	6.6
Net financing result	-38.7	-39.7
Results from continuing operations before income taxes	-26.5	-33.1
Income tax expense and non controlling interests	-1.8	-3.4
Discontinued operations	-94.7	-67.5
Consolidated net result attributable to the shareholders of the parent company	-124.1	-105.6

- SGL Excellence **cost savings** (continuing operations) of €9.3 million and (discontinued operations) of €17 million in 9M/2015. Total savings €228 million since inception of the SGL2015 program. Target of €240 million included €15 million losses of disposed HITCO and Rotec therefore SGL2015 successfully completed
- **Discontinued operations** affected by €43 million impairment (relating to business continuation until closing and transaction costs) resulting from the GE sale agreement with Showa Denko as well as €14 million one-time deferred tax impact resulting from the carve out

Free cash flow. Q3/2016 free cash flow almost break even

in € million (continuing activities)	9M/2016	9M/2015
Cash flow from operating activities	-50.9	-95.7
Capital expenditures in property, plant and equipment and intangible assets	-22.0	-32.0
- thereof SGL Group excluding SGL ACF	-21.2	-23.3
- thereof SGL ACF	-0.8	-8.7
Cash flow from other investing activities*	-1.5	9.0
Free cash flow	-74.4	-118.7
Free cash flow from discontinued operations	-16.0	2.3

- **Cash flow from operating activities** improved strongly by more than €40 million as a result of a higher result from continuing operations before taxes, the reduced working capital buildup in the reporting period, and the non-recurrence of negative cash effects from the termination of USD hedges in the previous year
- **Free cash flow from discontinued operations** included approx. €22 million cash-out for restructuring, particularly relating to the closure of the GE plant in Frankfurt-Griesheim, approx. €7 million for strategic projects (carve out, etc.) as well payments of approx. €20 million in connection with the disposal of HITCO's aerostructures activities

*Dividends received, payments for capital contributions in At-Equity accounted investments and other financial assets, proceeds from sale of intangible assets and property, plant and equipment

Balance sheet. Sufficient liquidity and sources of liquidity despite deteriorated ratios

in € million	30.09.2016	31.12.2015
Equity ratio (in %)	6.0*	15.6
Total liquidity (incl. discontinued activities)	159.6	250.8
Net financial debt	623.1	534.2
Gearing (net debt/equity)	6.12**	1.85

- **Equity ratio** declined due to the net loss of €124 million as well as the further adjustment of pension liabilities in Germany and the US based on lower long-term interest rates (impact on equity: minus €51 million after taxes)
- Higher **net financial debt** reflects mainly the reduced liquidity, resulting primarily from the buildup of working capital (decrease in trade payables), as well as to one-time cash outflows in connection with the closure of the graphite electrode plant in Frankfurt-Griesheim and payments relating to the sale of HITCO's aerostructures business – however, net debt remained relatively stable compared to June 30, 2016
- €200 million **syndicated loan** available and undrawn
- **Sources of cash:** €180 million gross proceeds from rights issue in 12/2016, GE sale expected to close in H1/2017 with anticipated cash proceeds of at least €200 million, sale of profitable CFL/CE business expected also for 2017
- No **maturities** of any of our **financial debt** instruments until **January 2018** (convertible bond 2012/2018)

*Pro forma equity ratio as of September 30, 2016 including proceeds from capital increase 15% (instead of 6%)

**Pro forma gearing as of September 30, 2016 including proceeds from capital increase 1.64 (instead of 6.12)

Disclaimer

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 with respect to the sale of the graphite electrodes (GE) business and the expected sale of the cathodes, furnace linings, and carbon electrodes (CFL/CE) businesses, and 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, the satisfaction of the closing conditions for the disposition of the graphite electrodes (GE) business, including obtaining relevant regulatory approvals, the possibility that the length of time necessary to consummate the disposition of the graphite electrodes (GE) business may be longer than anticipated, the achievement of the expected benefits of the disposition of the graphite electrodes (GE) business, the possibility that the SGL Group may suffer as a result of uncertainty surrounding the disposition of the graphite electrodes (GE) business, the anticipated effect of the disposition of the graphite electrodes (GE) business may have on SGL Group's financial condition and results of operations, the ability to sell the cathodes, furnace linings, and carbon electrodes (CFL/CE) businesses at a price satisfactory to SGL Group or at all 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.