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SGL GROUP
THE CARBON COMPANY

Annual Press Conference 2017

Significant progress in the
implementation of strategic
realignment

Frankfurt/Main
March 21, 2017

Dr. Jürgen Köhler (CEO) | Dr. Michael Majerus (CFO)

Agenda.

1. Review of the fiscal year 2016 – Dr. Jürgen Köhler

2. Financials 2016

3. Outlook 2017

4. The "new" SGL Group

5. Project Highlights

Review of the fiscal year 2016.

Key elements of strategic realignment implemented

- We completed the **carve out of Business Unit PP** six months ahead of schedule
- We have **adapted the business model for graphite electrodes (GE) to commodity** markets
- We found an ideal **new owner for the GE business** in Showa Denko at an attractive EV of €350 million and **cash proceeds of at least €200 million**
- We have started to **significantly reduce net debt** with the €173 million net proceeds from the rights issue in December 2016
- We have **launched Project CORE** (CORporate REstructuring) with which we are adapting the “new” SGL Group to a **growth business model**
 - Business Units will exclusively focus on development, production and marketing of their products
 - All other processes and functions will be centralized and streamlined in corporate functions, yielding cost savings of €25 million until end of 2018
- We have **achieved the SGL2015 cost savings target of €240 million**

Summary of key figures 2016.

First steps toward sustainable improvement in earnings

Sales at €770 million slightly below prior year level



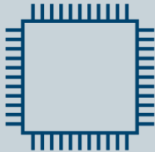



EBIT before non-recurring effects improves to €21 million, **ROCE_{EBITDA}** rises to 8.4%

- **CFM** again improved EBIT considerably
- **GMS** also contributed positively to Group EBIT despite oil industry-related lower earnings

Net result improves to minus €112 million but still impacted by negative result from discontinued operations, high interest expenses and administrative structures that need to be streamlined to the smaller SGL Group following the disposal of the former business unit PP

Improved **free cash flow** of minus €81 million includes minus €33 million free cash flow from discontinued activities

New Group Market Segmentation. Reflects stronger orientation to customer and growth markets

Market Segment						
Sales	Mobility ¹	Energy ²	Digitization ³	Industrial Applications	Chemical	Textile Fibers
2016	20 %	22 %	4 %	27 %	15 %	12 %
2015	18 %	20 %	4 %	27 %	17 %	14 %

¹comprises automotive, aerospace and transport markets; ²comprises battery, solar, wind and other energy markets; ³comprises LED and semiconductor markets

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Composites – Fibers & Materials.

New market segmentation

Market Segment					
Sales	Automotive	Aerospace	Wind Energy	Industrial Applications	Textile Fibers
2016	29 %	7 %	15 %	21 %	28 %
2015	28 %	4 %	15 %	20 %	33 %

Composites – Fibers & Materials.

Further considerable improvement in earnings


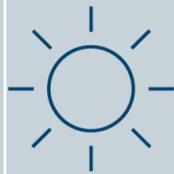

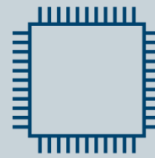



in € million	2016	2015
Sales revenue	317.4	327.3
EBITDA before non-recurring items*	41.3	32.0
EBIT before non-recurring items*	20.1	11.3
EBIT-Margin before non-recurring items* (in %)	6.3	3.5
ROCE _{EBITDA} (in %)	10.9	9.2

- **Sales revenue** decreased by 3% (currency adjusted by 1%) due to
 - 17% lower sales revenue in market segment **textile fibers** (pricing based on acrylonitrile/crude oil price development)
 - Partially offset by higher **aerospace** sales revenues due mainly to high level of invoicing in HITCO's materials business
 - Sales revenue with **automotive**, **wind energy** and **industrial applications** remained on prior year level
- **Recurring EBIT** with significant improvement due to
 - Improved earnings in market segment **automotive** (completion of ramp up and efficiency improvements at SGL ACF, improvement in at-equity accounted investments, new products ramp up)
 - Higher capacity utilization in market segment **industrial applications** due to higher carbon fiber demand
 - **Aerospace** market segment benefited from high level of invoicing in HITCO's materials business
 - Partially offset by lower earnings contribution in market segment **textile fibers** due to precursor line conversion and higher energy costs
 - Stable earnings in market segment **wind energy**

* Non-recurring items include reversal of impairment of €12.8 million in 2016 and restructuring charges of €1.1 million in 2016 and €0.5 million in 2015

Graphite Materials & Systems.

New market segmentation

Market Segment							
Sales	Battery & other Energy	Solar	LED	Semi-conductor	Automotive & Transport	Chemical	Industrial Applications
2016	16 %	11 %	2 %	5 %	7 %	27 %	32 %
2015	14 %	10 %	3 %	5 %	7 %	30 %	31 %

Graphite Materials & Systems.

Development impacted by weakness in oil related industries

in € million	2016	2015
Sales revenue	444.1	453.5
EBITDA before non-recurring charges*	49.8	56.6
EBIT before non-recurring charges*	27.8	34.1
EBIT-Margin before non-recurring charges* (in %)	6.3	7.5
ROCE _{EBITDA} (in %)	12.7	14.5

- **Sales revenue** down 2% (currency adjusted down 3%)
 - Market segment **chemicals** declined by 13% due weak demand from oil related industries
 - Partially compensated by 10% higher sales in **battery & others** market segment
 - Higher sales revenues also in market segments **solar** and **semiconductor**
 - Sales revenue in market segments **LED, automotive & transport** and **industrial applications** remained on prior year level
- Recurring **EBIT** declined 18% primarily due to
 - lower earnings contribution from market segment **chemicals** due to weak demand from oil related industries
 - non-recurrence of positive one-time effects in prior year (land sale and insurance compensations)

Group. Improved operational performance but high burden from interest charges and disc. operations

in € million	2016	2015
Sales revenue	769.8	789.5
EBITDA before non-recurring items	69.9	63.9
EBIT before non-recurring items	20.7	13.7
Non-recurring items (reversal of impairment and restructuring)	3.0	-6.8
EBIT	23.7	6.9
Net financing result	-50.9	-52.3
Results from continuing operations before income taxes	-27.2	-45.4
Income tax expense and non controlling interests	-6.8	-22.1
Net result – continuing operations	-34.0	-67.5
Discontinued operations	-75.7	-225.8
Consolidated net result attributable to the shareholders of the parent company	-111.7	-295.0

Balance sheet. Effect from negative free cash flow more than compensated by rights issue proceeds

in € million	31.12.2016	31.12.2015
Total assets	1,899.2	1,856.1
Equity ratio (in %)	17.5	15.6
Total liquidity	329.5	250.8
Net financial debt	449.4	534.2
Gearing (net debt/equity)	1.35	1.85

- **Further improvements in KPIs to come until beginning of 2018** as we close the GE sale, complete the CFL/CE sale and repay the €250 million corporate bond and the €240 million convertible bond
- **Liquidity at end 2016 more than sufficient** to cover expected operational cash outflow in 2017 – with expected proceeds of more than €200 million at closing of the GE sale we intend to **exercise our call on the corporate bond**. Remaining cash and proceeds from sale of CFL/CE will be more than sufficient to **meet the January 2018 maturity of the convertible bond issued in 2012**
- Early repayment of the corporate bond will make **a further €100 million available under the syndicated loan** which could be used for the repayment of the convertible bond (in case the CFL/CE sale is delayed)

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Outlook 2017 Business Units.

Composites – Fibers and Materials



- Slight increase in **sales**
 - Particularly driven by higher carbon fiber demand for industrial applications
 - Slight increase in sales also in market segments automotive and textile fibers
 - Partially to be offset by lower sales with aerospace market segment (high level of invoicing in US aerospace materials in prior year)
- **EBIT* close to 2016 level**
 - Included effect from high invoicing level in US aerospace materials
 - Positive impact of higher capacity utilization to be offset by ramp up of Lightweight and Application Center for new developments in automotive and aerospace applications and higher depreciation resulting from conversion of precursor line

*before non-recurring

Outlook 2017 Business Units.

Graphite Materials & Systems



- Slight increase in **sales**
 - Driven by market segments LED, chemicals and industrial applications
 - Market segment solar also to increase sales due to improved positioning and product portfolio (and despite subdued market outlook for 2017)
 - Very strong volume increase in market segment battery and other energy, partially offset by price adjustments
- Strong **EBIT** improvement from higher capacity utilization and cost savings
 - Getting very close, maybe even achieving our minimum $ROCE_{EBITDA}^*$ target of 15%

*based on EBITDA before non-recurring charges to average capital employed

Group outlook 2017.

Improvement in all major KPIs expected



- Full year **Group sales** to increase mid single digit in percentage terms
- **Group recurring EBITDA* and EBIT*** to increase more than proportionately to sales due to expected volume increase and initial CORE savings
- **Net result – continued operations** expected at a mid double digit million Euro loss
 - Prior year result included positive effect from sale of Evanston site
 - Higher interest expenses in 2017 relating to planned early redemption of corporate bond (acceleration fee)
- **Capex** to increase compared to prior year but at the most at D&A level
- **Discontinued operations** to improve significantly driven by
 - Operational improvement in CFL/CE
 - Tax impact related to PP carve out and restructuring charges in GE in prior year
 - Potential sale and closing of CFL/CE
- **Net debt** at end 2017 to be substantially reduced due to expected cash proceeds from sale of GE and potentially CFL/CE (depending on timing of transaction)

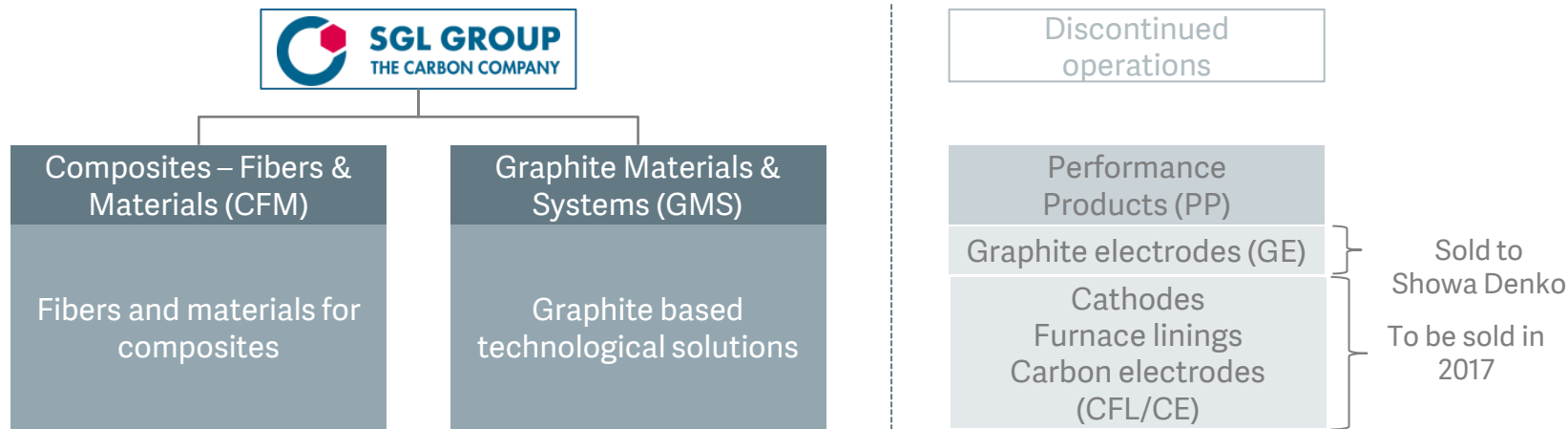
*before non-recurring items

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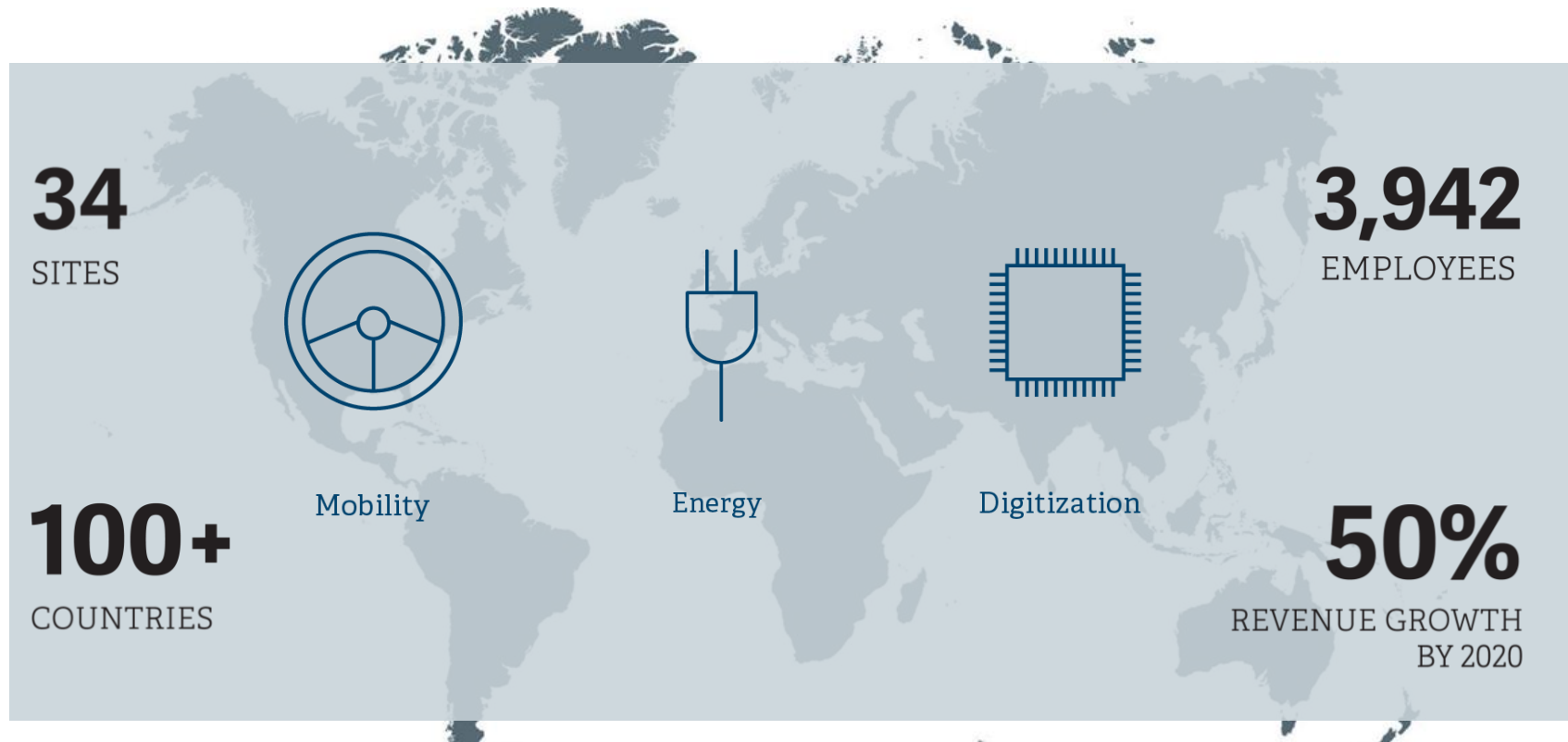
The transformed SGL Group.

We are consistently implementing the announced strategy






- ✓ The disposal of the PP/GE business enables the new SGL Group to **concentrate** its resources on the **growth areas CFM und GMS**
- ✓ Focus on CFM and GMS improves the balance between markets and industries, and thus **reduces volatility in our business**

New SGL Group with focus on: Mobility, energy supply and digitization



Growing with global megatrends.

Carbon based solutions

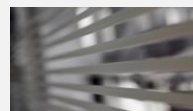
Market growth, CAGR 2015 - 2020				
SGL Growth		 Energy 10 %¹	 Digitization 7 - 9 %²	 Mobility 3 - 5 %³
	CFM 10 %⁴	Wind Pressure vessels	mobile 3C end devices	Automotive Aerospace Pressure vessels
	GMS 6 - 8 %⁴	Stationary energy storage Lithium-ion batteries	Lithium-ion batteries	
		Solar, LED Nuclear, Polysilicon Stationary energy storage Heat recovery etc.	LED Semiconductor Sapphire glass	Automotive

¹ Energy efficiency, storage and generation; ² CCeV, Technavio, GreenTech Media, Siemens; ³ CCeV, Yole Développement, Avicenne Energy, ⁴ own forecasts

Carbon and Graphite.

Positioned along the entire value chain

CFM



Acrylonitrile,
Polyacrylonitrile (PAN)



Acrylic fibers, oxidized
fibers, carbon fibers



Preforms, prepregs,
multiaxial fabrics,
braidings, textile
products



Composite
components, carbon
ceramic brake discs,
leaf springs

Customers

Control over the entire **value chain** enables product customization to customer requirements

Customers receive **tailor made solutions** from every step of the value chain

Forward integration in finishing technologies (GMS) and CFRP-components (CFM) including application know how are essential for **differentiation**

Raw materials

Intermediate
stages

Semi finished
products

Solutions/
components

GMS

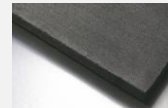
Cokes, pitches, natural
graphites



Synthetic fine grain
graphite blocks, expanded
natural graphite



Machining, finishing,
coatings (e. g. SiC),
assembly



Heaters, anode materials
for lithium-ion batteries,
sealings, felts, process
equipment and solutions



Customers

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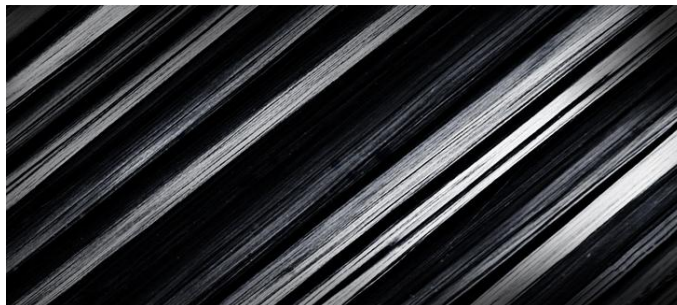
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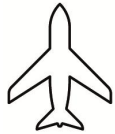
Optimizing the CFM value chain.

Fibers, composite materials and production

- Commissioning and inauguration of the new precursor production line in Portugal
 - Precursor being the raw material for carbon fibers
 - Completion of the value chain
 - Total investment amounting to €30 million
- Concentration of carbon fiber production at two sites
 - Evanston site sold
 - Enhanced efficiency of the production network through concentration at two sites in Moses Lake (USA) and Muir of Ord (UK)
- Construction and launch of the Lightweight and Application Center (LAC)
 - At Meitingen site



Launch of Lightweight and Application Center (LAC). For serial lightweight construction



- Tailor made solutions for serial production of fiber reinforced plastics
- Initial focus on automotive industry, solutions for aerospace, wind energy and other industries to follow
- Cooperation between CAD engineers, production technicians, experts for production methods and automation technologies on 1,000 square meters
- From feasibility study to prototype manufacturing
- Already several development projects



A look into the market segments.

Summary of important project highlights



Developed customized solutions and kicked off new projects



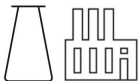
Contract extension and development projects



Strengthened position in lithium-ion battery industry



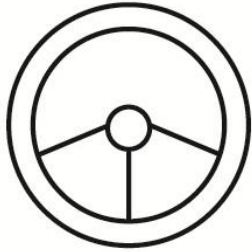
Capacities expanded based on increased LED demand



Received large contracts and expanded portfolio

Developed customized solutions.

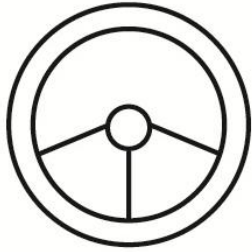
Serial production of structural parts and gear box applications



- 500,000 leaf springs p.a. from 2020 onwards based on composite materials for the models S60, S90, V60, V90 and XC60
 - Project with highest production volume of a composite component in the industry
- CFRP back wall and top B-pillar for the Audi MSS platform (Audi R8, Lamborghini Huracán)
- Close and intensive cooperation with BMW in various additional projects beyond the i3, i8 and 7 series models
- 50% sales increase in high performance wet friction material based on carbon components (e.g. duplex gear clutch)



Initiated development projects globally. For material mix solutions in passenger cars

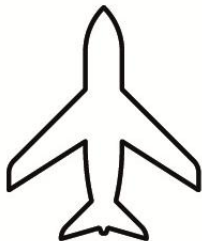


- Jaguar Land Rover
 - Cooperation with British research institutes and OEMs under SGL Group leadership
 - Development of new composite materials structures and manufacturing prototypes for structural parts of existing car models
- Daimler
 - Carbon fiber supply for CFRP stiffeners (manufactured with pultrusion technology)
 - Development projects for various components with new SGL Group materials
- Two Asian OEMs

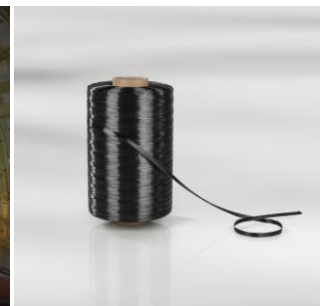


Ready for lift-off.

Contract extension and various development projects



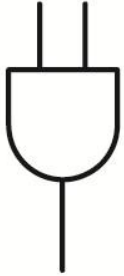
- Extension of contract with Airbus-subsidiary Elbe Flugzeugwerke (pre-impregnated carbon fiber textiles for Airbus A350 floor panels)
- Planned increase in vertical integration with an aerospace industry supplier for secondary structural parts
- Development project with aircraft supplier for cabin interior parts
- Product developments with the large aircraft manufacturers for the adoption of our industrial fiber (50k) in components



Photography source: istockphoto Foto 1-3 f.l.t.r.

Strengthened position in lithium-ion battery industry.

Expansion of business opportunities

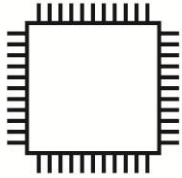


- Synthetic anode material qualified with further cell manufacturers
 - Cooperation intensified with long-standing partner Hitachi Chemicals
- Development of next generation lithium-ion batteries with higher storage density
 - Together with research institute ZSW and supported with research grants
- Bundling of competences for battery development in Germany
 - Cooperation with leading German companies

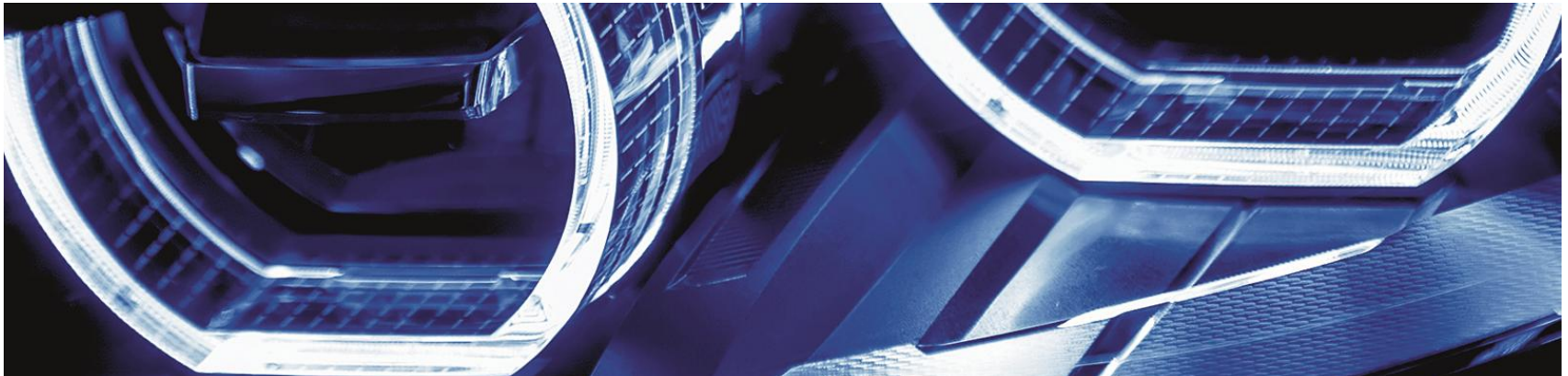


Capacity increase in the USA.

To meet increased demand for LEDs



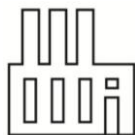
- Construction of a new state-of-the-art production line for the coating of graphite carrier plates (wafer carriers) in the USA
 - Total investment of €7.5 million
 - Completion 2017
 - SGL Group technology provides critical contribution to LED quality
 - Supporting customers in furthering technical developments of LED production processes



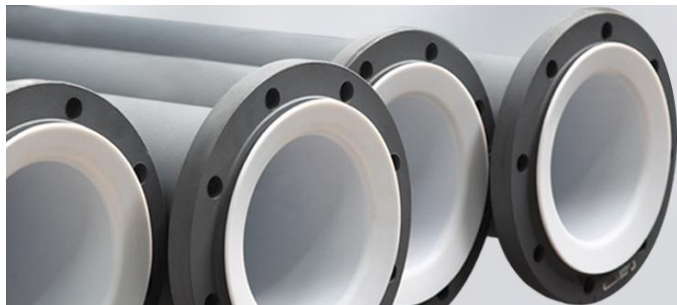
Photography source : istockphoto

Large orders and portfolio extension.

Continued industrialization in China



- Largest order ever in China for PTFE coated pipes for a recycling facility for hydrochloric acid (photovoltaic industry)
- Large order from Sabic Cartagena (Spain) for pipes for treatment of process waste water
- Extension of product portfolio and first successful application of carbon fiber reinforced carbon (CFRC) for distillation apparatus in the Chinese chemical industry
- Construction of an additional hard felt production in China. This high performance graphite based insulation material is used in high temperature furnaces



Strategic realignment of SGL Group.

2017: Focus on growth

- Achieve prerequisites for returning to **sustainable profitable growth**
 - Closing of sale of graphite electrode business to Showa Denko
 - Sale of cathode, furnace lining and carbon electrode business
 - Early repayment of corporate bond
- Implement **project CORE** to further **enhance profitability** and to **align and adapt the organization to the growth targets**
- Consistently **pursue and execute growth projects**
- Support growth through **targeted investments** (e.g. capacity increase anode materials)
- Drive forward cultural change in the **new SGL Group**

Thank you for your
attention!

Important note:

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