PRESS RELEASE

SGL GROUP
THE CARBON COMPANY

Fiscal year 2016: SGL Group made significant progress in the implementation of its strategic realignment – recurring EBIT exceeded prior year's level

- Successful capital increase and expected proceeds from the ongoing sale of the business unit Performance Products (PP) will strengthen capital structure
- Dr. Jürgen Köhler: "In 2016 we strengthened our balance sheet and paved the way for future growth in our activities with customers and in numerous projects"
- Recurring EBIT up from 13.7 million to 20.7 million euros
- Composites – Fibers & Materials (CFM): recurring EBIT increased significantly due to higher capacity utilization and lower costs
- Graphite Materials & Systems (GMS): downturn in the chemicals business due to lower oil price offset positive trends in the lithium-ion battery industry as well as in the solar and semiconductor segments
- Net result substantially improved despite negative contribution from discontinued operations
- Outlook for 2017 from continuing operations: mid single digit percentage increase in sales, recurring EBIT to increase more than proportionately to sales

Wiesbaden, March 21, 2017. In fiscal year 2016, SGL Group was able to increase earnings on slightly lower sales revenues. Recurring EBIT from continuing operations increased to 20.7 (previous year: 13.7) million euros. Business with the automotive industry within the CFM business unit chiefly contributed to this development, whereas GMS was impacted by the weakness in the North American oil and gas industry. At the same time, SGL Group implemented further important measures in the context of its strategic realignment. These included the accelerated finalization of the carve-out of the business unit Performance Products (PP) in June 2016, the agreement to sell the graphite electrode business to the Japanese company Showa Denko in October and the capital increase in December.

"In fiscal year 2016 we laid the foundation for a new beginning and for our return to profitable and sustainable growth. We strengthened our balance sheet and paved the way for future growth with our activities with customers and in numerous projects. With our new Lightweight and Application Center, we were able to initiate development projects worldwide together with manufacturers from the automotive and other industries" says Dr. Jürgen Köhler, CEO of SGL Group. "For fiscal year 2017 we expect a mid-single digit increase in sales from our continuing operations and EBIT to increase more than proportionately to sales."

Sales of SGL Group from continuing operations in the fiscal year 2016 amounted to 769.8 (previous year: 789.5) million euros. This represents a 3 percent decline. Reported Group EBIT

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from continuing operations increased substantially from 6.9 million in 2015 to 23.7 million euros in 2016. Return on Capital Employed (ROCE) based on EBITDA before non-recurring charges rose from 7.9 percent in 2015 to 8.4 percent in 2016. Net financing result amounted to minus 50.9 (previous year: minus 52.3) million euros. The result from continuing operations before taxes improved to minus 27.2 (previous year: minus 45.4) million euros; after taxes, the net result amounted to minus 34.0 (previous year: minus 67.5) million euros.

Composites – Fibers & Materials: significant increase of recurring EBIT

Sales in the business unit CFM declined slightly in fiscal year 2016, by 3 percent, to 317.4 (previous year: 327.3) million euros primarily due to lower revenues in the textile fibers market segment. The price of textile fibers is linked to the raw material acrylonitrile, which is indexed to the oil price. In contrast, recurring EBIT again improved significantly to 20.1 (previous year: 11.3) million euros. Contributing factors include better results in the business with the automotive industry, improved earnings in the market segment industrial applications and one-time high invoicing in HITCO's materials business. Consequently, the EBIT margin rose to 6.3 (previous year: 3.5) percent. EBIT after non-recurring charges came to 31.8 (previous year: 10.8) million euros mainly due to the sales agreement for the small carbon fiber production facility in Evanston (USA).

Graphite Materials & Systems: downturn in the chemicals market segment due to oil price offsets positive development in battery business

In the business unit GMS, sales fell slightly to 444.1 (previous year: 453.5) million euros. The development within the individual market segments varied quite significantly. Substantial progress was made in the business with anode materials for lithium-ion batteries as well as in the solar and semiconductor market segments. In contrast, the chemicals market segment suffered from lower demand from the North American oil and gas sector. As a result, recurring EBIT declined to 27.8 (previous year: 34.1) million euros. Accordingly, the EBIT margin, at 6.3 percent, was down on the previous year's level (7.5 percent). EBIT after non-recurring charges amounted to 26.2 (previous year: 28.9) million euros.

T&I and Corporate: results positively impacted by land sale

Recurring EBIT in the T&I and Corporate segment improved from minus 31.7 million to minus 27.2 million euros. This result includes a positive one-off effect from a land sale. Adjusted for this effect, recurring EBIT was roughly at the previous year's level. Including non-recurring charges mainly related to project CORE, EBIT declined slightly to minus 34.3 (previous year: minus 32.8) million euros.

Price decline for graphite electrodes still affects discontinued operations

Earnings from discontinued operations comprise the results of the business unit Performance Products (PP) and HITCO (composite components for the aircraft industry), which was sold at the end of 2015. The price decline for graphite electrodes (GE) once again had a significant impact on PP, although delivery volumes were slightly up year-on-year. Business with cathodes, furnace linings and carbon electrodes (CFL/CE) remained as good as expected. Results of the business unit PP were further affected by impairment charges of 18 million euros from the valuation of the GE business activities held for sale (fair value as of September 30, 2016: 43

million euros) as well as a one-time deferred tax impact equivalent to approximately minus 23 million euros. In total, the loss from discontinued operations after taxes amounted to minus 75.7 (previous year: minus 225.8) million euros. Including continuing operations, in fiscal year 2016 SGL Group generated a consolidated net result of minus 111.7 (previous year: minus 295.0) million euros.

Equity ratio improved due to capital increase

Total assets, at 1,899.2 (December 31, 2015: 1,856.1) million euros, slightly exceeded the previous year's level. The capital increase in December 2016 increased equity by 173.3 million euros. Adverse factors were the negative Group consolidated result, foreign exchange effects and the adjustment of interest rates for pension reserves. In total, the equity ratio rose to reach 17.5 (December 31, 2015: 15.6) percent. Net financial debt at the end of the year declined to 449.4 (December 31, 2015: 534.2) million euros due to the cash inflow from the capital increase.

As expected, free cash flow from continuing operations remained clearly negative but improved to minus 48.1 (previous year: minus 99.3) million euros. The negative free cash flow resulted primarily from capital expenditures and interest payments. The above factors were only partially compensated by the improved operating result in fiscal year 2016. Including discontinued operations, the free cash flow came to minus 81 (previous year: minus 126.1) million euros.

CORE Project successfully launched

“As an innovative and technology-based company, we will collaborate even more closely with our customers to develop solutions in the key areas of mobility, energy and digitization,” says Dr. Jürgen Köhler, CEO of SGL Group. “In the future, our two business units, CFM and GMS, will focus only on production, sales and application-related development.”

In September 2016, SGL Group launched project CORE (COrporate REstructuring) to align the “new”, now downsized SGL Group even more with the strategic targets. In this process, the business units CFM und GMS will focus on development, production and marketing of products and solutions based on carbon fibers and specialty graphites, in order to position them for growth. All administrative tasks will be streamlined and concentrated in the central functions, and the organization of SGL Group thus adjusted to its new size. By the end of 2018, this is expected to yield approximately 25 million euros in cost savings, strengthening SGL Group's profitability.

SGL Group already concluded its SGL2015 cost savings program launched in 2013 at the end of the third quarter of 2016. By the end of September, 228 million euros had been reached. As the savings target of 240 million euros – which had been increased twice– included the losses of 15 million euros from HITCO and SGL Rotec (rotor blades), which in the meantime have been sold, SGL Group thus slightly outperformed its target.

Sale of business unit PP will lead to further improvements in the balance sheet

In October 2016, SGL Group signed an agreement to sell its graphite electrode business to the Japanese company Showa Denko based on an enterprise value of 350 million euros. After deducting liabilities, SGL Group is expecting cash proceeds in excess of 200 million euros. Closing is expected in mid-2017. The remaining business with cathodes, furnace linings and carbon electrodes are to be sold separately in 2017.

The net proceeds from the divestment of the discontinued business unit PP, along with the net proceeds of the capital increase, are intended to be used for the full early repayment of the corporate bond and for the full redemption of the convertible bond due in 2018. Accordingly, SGL Group will redeem a substantial amount of its debt and considerably reduce the level of interest payments in future.

"The capital increase and the expected proceeds of the sale of PP will enable us to strengthen our capital structure and increase our financial flexibility," says Dr. Michael Majerus, CFO of SGL Group. "Consequently, we will be laying a solid foundation for our future growth. We will continue to focus on our target to grow our sales by 50 percent by the year 2020 compared to 2014, while at the same time improving our return on capital employed (ROCE) to at least 15 percent."

Outlook for 2017

For the fiscal year 2017, **SGL Group** anticipates a mid single digit percentage increase in Group sales. Thanks to the expected volume growth and initial benefits from project CORE, recurring Group EBITDA and recurring Group EBIT should increase more than proportionately to sales. Due to the positive one-time from the sale of the Evanston site in the previous year and the planned early redemption of the corporate bond, which is expected to lead to an early prepayment penalty, the anticipated operational improvements will likely not be reflected in the Group result from continuing operations. Accordingly, SGL Group anticipates a Group loss from continuing operations in the mid double-digit million euro range, roughly at the same level as the previous year. Earnings from discontinued operations and, therefore, also the consolidated net result of SGL Group, will be impacted by an expected slight improvement in operations, the non-recurrence of the deferred tax effect and restructuring expenses of the former PP reporting segment and potentially by the proceeds of the sale of CFL/CE, depending on the exact timing of the closing.

A slight increase in sales is anticipated in the **CFM** business unit. This will be offset primarily by start up expenses for the Lightweight and Application Center, which is developing future business with the automotive and aerospace industries. Moreover, EBIT for fiscal year 2016 includes a one-time effect from higher invoicing in the American materials business for the aerospace industry. Therefore SGL Group expects EBIT in the CFM business unit at the previous year's level.

SGL Group also anticipates a slight increase in sales in the **GMS** segment. The expected development is primarily attributable to the LED and chemicals market segments as well as to the industrial business in North America. Strong growth in volume demand is also expected in our lithium-ion battery business. The higher capacity utilization in all business activities, in combination with savings effects, is likely to lead to a marked increase in EBIT. Therefore it should be possible to approximately achieve our Group target ROCE (ratio of EBITDA to capital employed) of 15 percent.

Key figures of SGL Group

(in million euros)

	2016	2015	Change
Sales revenue from continuing operations	**769.8**	789.5	-2.5%
EBITDA before non-recurring charges	**69.9**	63.9	9.4%
Operating profit (EBIT) before non-recurring charges	**20.7**	13.7	51.1%
Return on sales (EBIT margin)[1)]	**2.7%**	1.7%	1.0% points
EBIT	**23.7**	6.9	> 100%
Result from continuing operations	**-34.0**	-67.5	49.6%
Earnings per share, basic and diluted (in €) continuing operations[2)]	**-0.38**	-0.75	49.3%
Capital expenditures in intangible assets and property, plant & equipment	**-34.6**	-44.4	22.1%
Free cash flow from continuing activities	**-48.1**	-99.3	51.6%

	Dec. 31, 2016	Dec. 31, 2015	Change
Total assets	**1,899.2**	1,856.1	+2.3%
Equity attributable to shareholders of the parent company	**331.8**	289.3	14.7 %
Net financial debt	**449.4**	534.2	-15.9 %
Debt ratio (Gearing)[3)]	**1.35**	1.85	-
Equity ratio[4)]	**17.5%**	15.6 %	+1.9% points
Employees[5)]	**5,384**	5,658	-4.8%

1) Non-recurring EBIT in relation to sales revenue
2) Based on an average number of 93.7 million shares (previous year: 91.7 million shares)
3) Net financial debt divided by equity attributable to the shareholders of the parent company
4) Equity attributable to shareholders of the parent company divided by total assets
5) Thereof employees of the former PP business unit: 1,442 (previous year: 1,573)

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 34 production locations in Europe, North America and Asia as well as a service network in over 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.

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