A short introduction to SGL Group

Dr. Jürgen Köhler, CEO
Unique materials and process know how
Based on carbon, graphite & carbon fiber as well as the management of high temperature technologies

We operate more than 300 high temperature furnaces globally
SGL offers “enabling” materials and products for attractive growth markets

<table>
<thead>
<tr>
<th>Segment</th>
<th>Market positions</th>
<th>Growth markets</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Products</td>
<td>• GE: one of two largest manufacturers worldwide</td>
<td>Steel recycling</td>
<td>• Excess scrap from China to drive EAF steel production</td>
</tr>
<tr>
<td></td>
<td>• CA: 20% market share (ex-China)*</td>
<td>New aluminium smelter construction</td>
<td>• 40-50 new smelter builds expected until 2030 globally**</td>
</tr>
<tr>
<td>Graphite Specialties</td>
<td>• Leading positions in variety of customer industries</td>
<td>Li-ion batteries for mobile applications</td>
<td>• Li-ion batteries: 14% CAGR from 2013 to 2019***</td>
</tr>
<tr>
<td>Carbon Fibers &amp; Materials</td>
<td>• Exclusive supplier in specific automotive products &amp; applications</td>
<td>Automotive lightweight trend</td>
<td>• LED: market forecasts range from 25% - 38% CAGR****</td>
</tr>
</tbody>
</table>

* Source: SGL estimates
** Source: The Global Aluminium Industry, Dr Carmine Nappi, February 2013
*** Source: Research and Markets, “Global Lithium Ion Battery Market - Forecast to 2019”, February 2014
**** Source: Commerzbank, July 2013, Compound Semiconductor, Volume 19, Issue 5, July 2013 quoting IHS’ research report “Q2 GaN LED Supply and Demand”
Strategic realignment and capital increase
New management implementing tighter financial discipline.

<table>
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<tr>
<th>Changing key performance indicator from ROS to ROCE</th>
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<tbody>
<tr>
<td>Introducing stronger financial and capital deployment discipline, particularly with respect to capex and potential mergers/acquisitions</td>
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<tr>
<td>➡️ Will also be guiding principle with regard to portfolio decisions in strategic realignment</td>
</tr>
<tr>
<td>Cash will only be invested with minimum ROCE expectations: businesses have to “earn the right to grow”</td>
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<tr>
<td>ROCE orientation reflected in long term incentive scheme of Board of Management and the next management layers</td>
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</table>
Right size. Improve performance.
Enhance shareholder return.

- Combination of capital increase and proceeds from right-sizing the business will strongly delever the company and thus **improve leverage ratios**
- **Stabilize financial position** by achieving positive net result and free cash flow
- Healthy balance sheet and stable earnings provide **flexibility to execute on strategic repositioning**
- Capital discipline, defined by **minimum ROCE of 15%**, is new overriding guiding principle and management culture for strategic repositioning and future investments
- **Generate accretive returns** or distribute cash to shareholders to enhance shareholder return
Right size.

Relentless restructuring of underperforming activities

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Progress</th>
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<tbody>
<tr>
<td><strong>Asset restructuring</strong></td>
<td></td>
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<tr>
<td>- Adjust asset base to changes in market demand</td>
<td>- Closure of Lachute (Canada): 30kt graphite electrode capacity/110 employees</td>
</tr>
<tr>
<td>- Optimize global production network (relocation, consolidation, closures)</td>
<td>- Closure of Narni (Italy): 30kt graphite electrode capacity/dismissal plan for all employees (~120) implemented</td>
</tr>
<tr>
<td>- Improve capacity utilization and fixed cost base</td>
<td>- Streamlining production facilities in GS</td>
</tr>
<tr>
<td>- Cost competitive assets only</td>
<td>- Further measures under evaluation and subject to price/demand development</td>
</tr>
<tr>
<td><strong>Portfolio restructuring</strong></td>
<td></td>
</tr>
<tr>
<td>- Focus on materials competence and strengths in all businesses</td>
<td>- Disposal of rotor blade activities (Rotec)</td>
</tr>
<tr>
<td>- Ongoing review of portfolio considering target ROCE</td>
<td>- HITCO sale initiated – reclassified to discontinued</td>
</tr>
<tr>
<td>- Assessment of strategic options for activities which do not reach mid to long term targets</td>
<td>- Further selected disposals could follow as a result of strategic review</td>
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SGL Group is progressing well with focusing its business and asset portfolio resulting in a stronger, more profitable company.
2. Improve performance.

SGL 2015 efficiency improvements well ahead of plan

<table>
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<tr>
<th>Measures</th>
<th>Exp. Savings</th>
<th>Progress as of November 30, 2014</th>
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</thead>
</table>
| SGL Excellence 2013 & other savings | • SGL X  
• Raw material cost savings  
• Energy cost savings | ~ €55m | 100% |
| SGL Excellence 2014, 2015 & operational improvements | • SGL X  
• Raw material cost savings  
• Energy cost savings | ~ €50m | ~ 70% |
| Organisational restructuring | • Headcount reduction  
• Indirect spend | ~ €60m | ~ 90% |
| Divestments | • SGL Rotec, HITCO | ~ €15m | ~ 50% |
| Asset restructuring | • Closure GE site in Lachute, Canada  
• Closure GE site in Narni, Italy | ~ €45m | ~ 40% |

Targeted cost savings of more than €200 million exceeding initial objective of €150 million
## Enhance shareholder return.

### Stringent resource allocation

<table>
<thead>
<tr>
<th>Performance Products (PP)</th>
<th>Graphite Specialties (GS)</th>
<th>Carbon Fibers &amp; Materials (CFM)</th>
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<tbody>
<tr>
<td><strong>Selective growth investments</strong></td>
<td><strong>Long-term market potential</strong> from high Chinese scrap availability increasing <em>steel production</em> in electric arc furnaces (EAF)</td>
<td><strong>Expansion SGL ACF (BMW JV)</strong> investment - capacity increase to 9,000 t p.a.</td>
</tr>
</tbody>
</table>
| **Structural growth from existing assets** | **New graphite based applications** resulting from new technologies  
**Structural growth in** selective end markets **significantly above GDP** | **Ramp up of BMW i3 / i8 production**  
**Significant growth in automotive and industrial carbon composite use**  
**Own low cost and high quality precursor (Fisipe)** |
| **Cyclical recovery** | **Well positioned** to benefit from potential price and volume recovery in graphite electrodes  
**Supported by cost and capacity adjustments** | **Cyclically depressed markets to potentially recover**  
- Industrial  
- Solar  
- Semiconductor |

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Only limited investments required for further growth
Divisional strategy Performance Products (PP).
Short term turnaround by improving cost position further

2013 Group sales

- €1,477m
- PP 53%

PP Business Units

- Graphite & Carbon Electrodes (85%)
- Cathodes & Furnace Linings (15%)

- Graphite electrodes for electric steel production
- Cathodes for aluminum production

Strategy & Outlook

- Key management focus is on turnaround in GE profitability
- Significant restructuring measures implemented in context of SGL 2015
- Well positioned for cyclical recovery with electrode plants in all key regions
- Price stabilization in last months
- Low profitability in GE and needle coke industry limits further downside
- Expected near term margin improvement – even in flat pricing environment – due to
  - Cost benefits of capacity closures
  - Additional SGL 2015 cost savings
  - Ramp up of low cost Malaysian facility

Growth opportunities

Worldwide steel production (in mt)

- Blast furnace
- Electric arc furnace

“Wave of scrap” expected in medium term

- Future high Chinese scrap steel availability to trigger strong increase in EAF production mid to long term
- Resulting in substantial GE demand upside
- Well positioned with new facility in Malaysia

Source: WSD, IISI, own estimate
Divisional strategy Graphite Specialties (GS).
Strong innovation track record and growth prospects

2013 Group sales

Strategy & Outlook

- Capitalize on strong market position, diversified customer and materials base
- Giving us sufficient base load operations to sustainably maintain adequate margins in a high fixed cost environment
- Continue to exploit innovation potential as demonstrated by ~30% revenue share with new products**
- Potential upside from big ticket orders
- Overcapacity situation in polysilicon applications to be addressed
- Successful track record in terms of both growth and profitability
- Structural growth opportunities support growth track and increase share of higher margin businesses, e.g.
  - Graphite for Li-ion batteries
  - High temperature applications

Growth opportunities

- Significant growth potential from anode materials for Li-ion batteries
- More widespread use (e.g. automotive - Tesla “giga factory”)

Key end markets

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<tr>
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<th>% of GS 2013 sales</th>
<th>Market share*</th>
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</thead>
<tbody>
<tr>
<td>Batteries &amp; Nuclear</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>Semiconductor &amp; LED</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Solar</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>11%</td>
<td>35%</td>
</tr>
</tbody>
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* Source: SGL estimates
** Less than four years old

Source: SGL
Divisional strategy Carbon Fibers & Materials (CFM).
Command entire value chain in industrial carbon fibers

### 2013 Group sales

- **CFM** 18%
- €1,477m

### Value chain

<table>
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<tr>
<th>Materials</th>
<th>Components</th>
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<tbody>
<tr>
<td>Raw Material (Precursor)</td>
<td>SGL ACF, SGL Kümpers, SGL epoxy</td>
</tr>
<tr>
<td>Carbon Fiber</td>
<td>Benteler SGL, Brembo SGL</td>
</tr>
<tr>
<td>Composite Materials</td>
<td>Composite Components</td>
</tr>
</tbody>
</table>

**Reference plants / JV’s**

### Strategy & Outlook

- Path to profitability is to command entire value chain
  - Conversion of Fisipe lines to precursor for carbon fibers
  - Focus on core competencies – wind, automotive and potentially other industrial
  - HITCO sale initiated as lacking value chain for aerospace carbon fibers
- Ongoing review of CFM portfolio under ROCE target criteria
- BMW JV – best-in-class benchmark supporting financial targets
- Clear financial objectives to be achieved
  - Sustainable break-even in the short-term
  - Achieving ROCE targets in the mid-term

### Growth opportunities

- **e.g. carbon composite use in automotive**
  - c. 23,000t CF
  - c. 2,500t CF

2013 2020

- Achieving ROCE targets in the mid-term

**Source:** Carbon Composites; AVK

- Significant long-term growth potential from increasing use of carbon composites in automotive
  - Exclusive supplier in specific automotive products & applications
  - Involved in the two largest projects globally (BMW, Audi MSS)
How we intend to transform SGL Group.
Guided by clearly defined targets

Create flexibility for restructuring and repositioning with capital increase and disposal proceeds (HITCO, etc.)

Stop loss makers and cash drainers by restructuring or disposing

Capex for selective growth opportunities subject to minimum hurdle rates

Return on capital is key management principle for strategic realignment and future investment

Gearing ~ 0.5
Equity ratio > 30%

Net debt/EBITDA < 2.5
Positive net result

Positive free cash flow*

ROCE ≥ 15%**

* Excluding disposal proceeds
** ROCE defined as EBITDA/capital employed
Creating a sustainable, enabling capital structure for strategic realignment with improved profitability.

**€267m capital increase**
completed in October 2014

### Strengthened financial position
- Gearing reduced to ~ 0.46**
- Equity ratio ~ 34%**

### Enable strategic realignment
- Flexibility for portfolio and asset adjustments
- Help finance necessary restructuring measures
- Mid to long term flexibility for focused investments or dividends

### Management and core shareholder commitment
- **Core shareholders (SKion, BMW, VW):** Full pro-rata participation in the capital increase
- **Members of the Management Board:** Combined investment into SGL shares totaling more than 50% of the aggregate yearly base salary

Proceeds will be used to strengthen capital structure and improve leverage ratios, for debt repayment*** and for creating a foundation for enhanced profitability.

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* Gross proceeds
** Source: Based on financial data as of August 31, 2014 and assuming net proceeds from the capital increase of €261.4m
*** Approximately €26.9m of the net offering proceeds will be used to repay MYR 112m of the HSBC Loans to SGL CARBON Sdn, Bhd (Malaysia), plus accrued interest, to HSBC Bank Malaysia Berhad on or before December 31, 2014. The remaining net offering proceeds in amount of €234.5m will be earmarked for future debt repayments and the other purposes as outlined above
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