SGL GROUP
THE CARBON COMPANY

Commerzbank German Investment Seminar

13-15 January 2014

New York

BROAD BASE. BEST SOLUTIONS.

Introduction to SGL Group's Businesses

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SGL Group
Business structure

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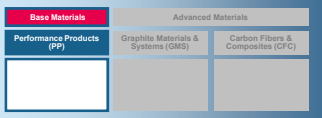
Base Materials	Advanced Materials	
Performance Products (PP)	**Graphite Materials & Systems (GMS)**	**Carbon Fibers & Composites (CFC)****
• Graphite & Carbon Electrodes (GCE) • Cathodes & Furnace Linings (CFL)	• Graphite Specialties (GS)* • Process Technology (PT)	• Carbon Fibers & Composite Materials (CF/CM) • Aerostructures (AS)

Technology and Innovation (T&I)

Six Sigma (SGL Excellence)

* Former Business Unit New Markets integrated into Business Unit GS as of May 1, 2013
** Former Business Unit Rotor Blades sold as of December 31, 2013

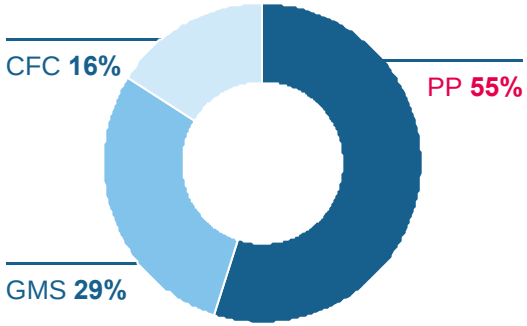
Base Materials
Performance Products (PP)



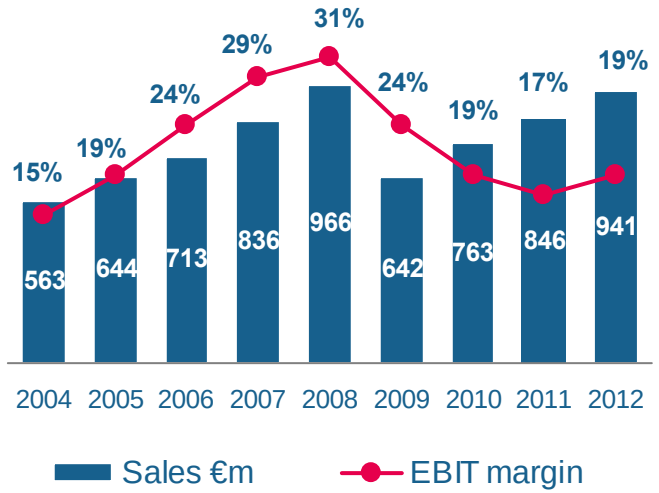
Business units

- Graphite & Carbon Electrodes
- Cathodes & Furnace Linings

2012 Group sales



PP sales & EBIT margins



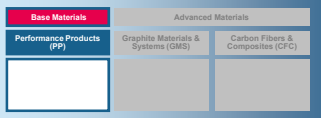
Key industries served

- Steel
- Aluminum
- Ferrous and non-ferrous metals

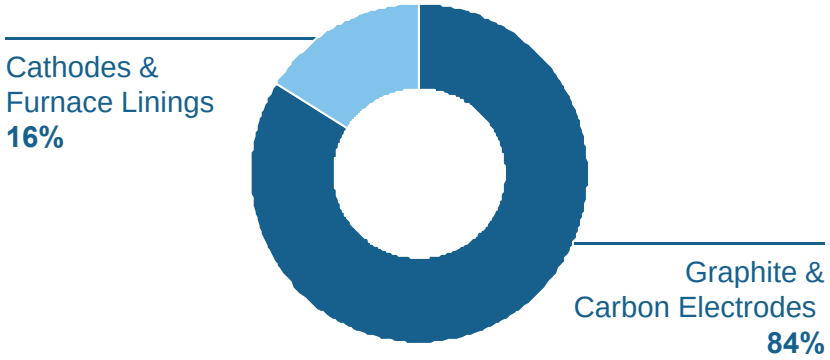
Characteristics

- Supplying the metal industries
- Leading competitive position
- Ongoing growth in BRIC
- High ROS & ROCE
- Strong cash flow
- Stable growth

Base Materials
Performance Products (PP)



Sales – 2012



Highlights 2012

- Continued improvement in graphite electrode volumes
- Construction of full integrated Malaysian graphite electrodes plant completed, cathode plant on track

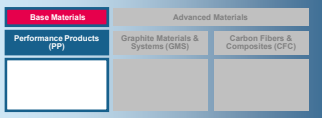
Medium-term targets

- Volume growth: 2 – 3% p.a.
- ROS (based on EBIT): 15 – 20%
- ROS (based on EBITDA): 19 – 24%

Strategic priorities

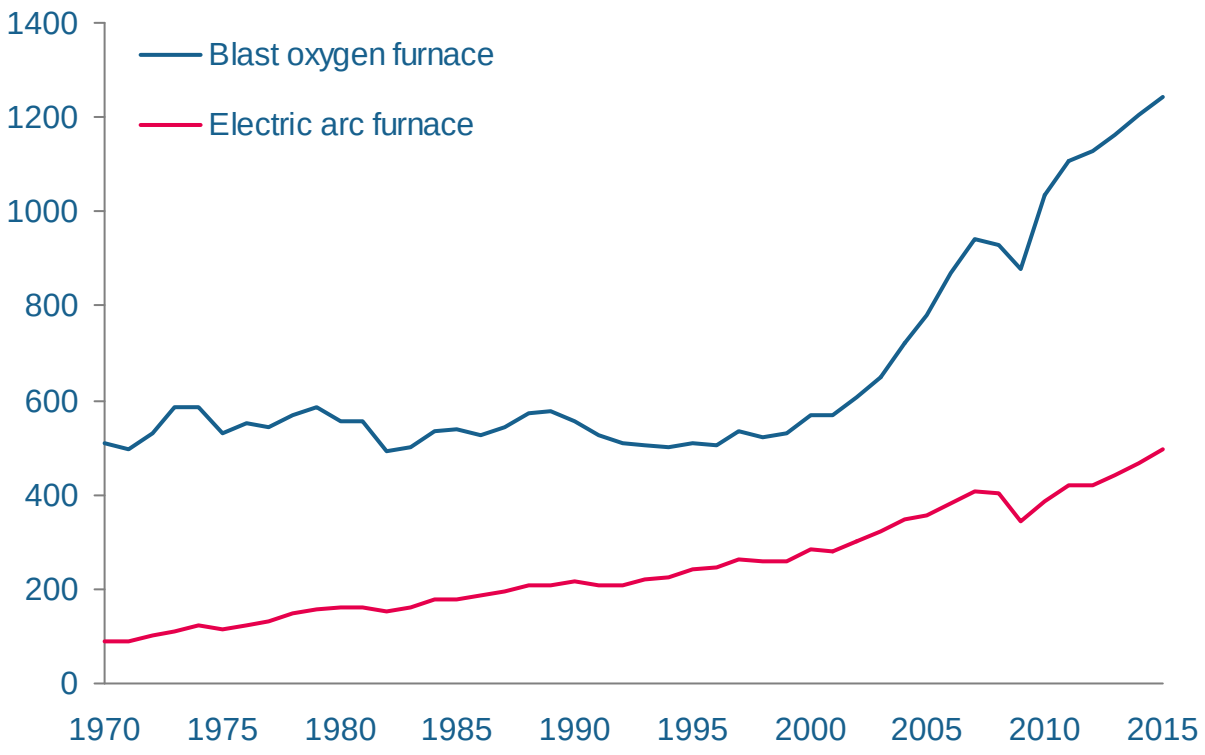
- Adjust infrastructure to reduced electrodes demand
- Major initiative to increase customer value through product quality and consistency
- Regular shipment of graphite electrodes from Malaysian plant

Performance Products
Graphite electrodes (GE) for steel production in EAFs



- Growth in steel production fuelled by infrastructure demand from emerging countries
- Scrap availability limits EAF growth in emerging countries
- Due to continued efficiency gains GE demand growth only 1 – 2% p.a.
- GE critical to EAF furnace efficiency but only ~3% of steel-making conversion cost

Worldwide steel production [in mt]



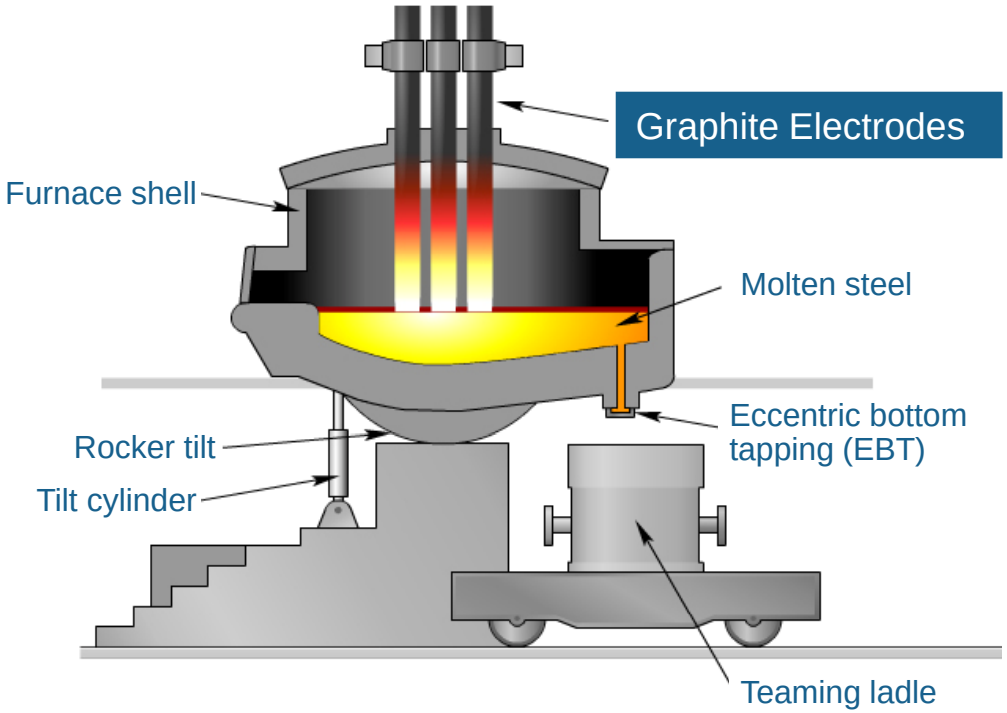
Source: WSD, IISI, own estimate

An EAF (electric arc furnace) is a furnace that heats charged scrap steel material (also known as mini mills)
BOF (blast oxygen furnace) is the steelmaking route that uses iron ore and coking coal to produce primary steel (also known as integrated steel)

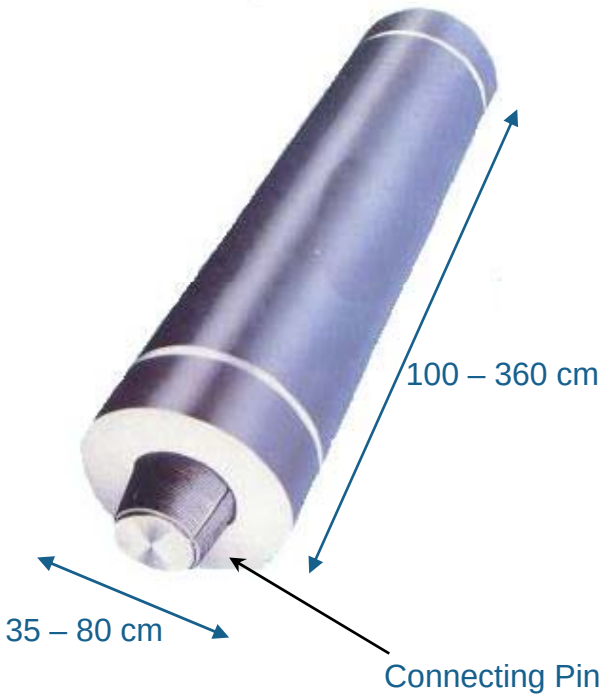
Performance Products
Graphite electrodes

Steelmaking – An Electric Arc Furnace (EAF)

Section view through EAF

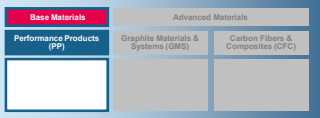


Graphite electrode



Source: steeluniversity.org

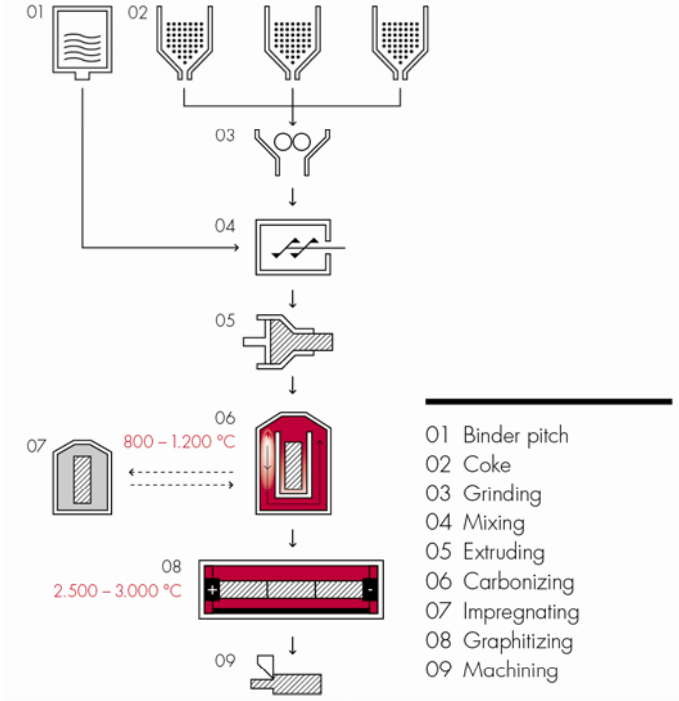
Performance Products
Graphite electrode production process



- GE critical to EAF furnace efficiency but only ~ 3% of steelmaking conversion cost
- GE is a consumable – replaced every 5 to 8h
- GE usually sold mostly in annual contracts
- Needle coke requirements sourced on basis of multiyear contracts

➔Production process takes up to 3 months

Graphite production



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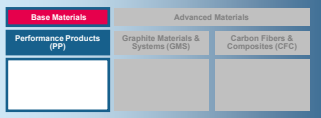
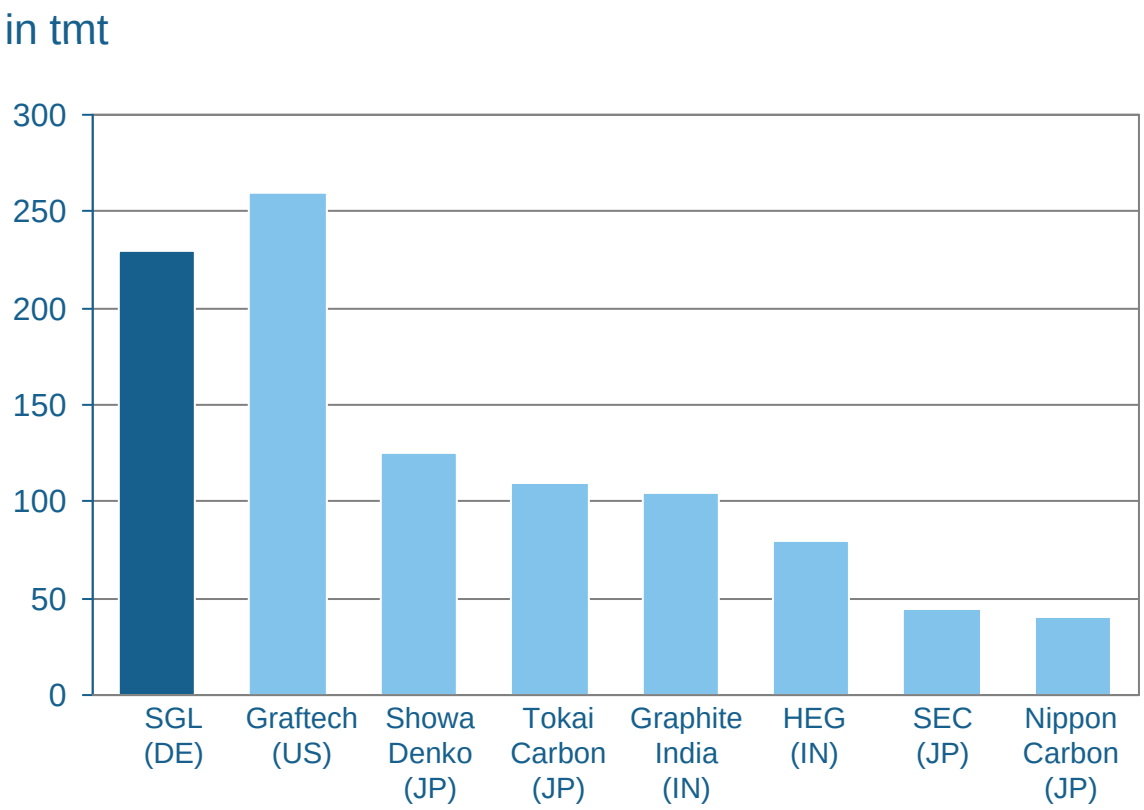
Performance Products
Graphite electrode market



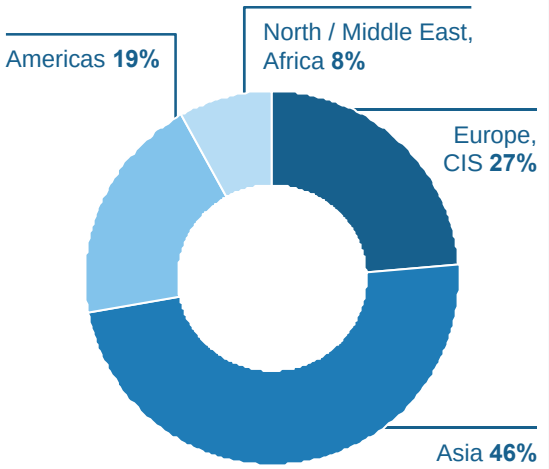
Capacity by competitor in 2013* – UHP / HP-quality



* Russia and China: Potential UHP capacity dependent on equipment, technical capability and needle coke availability

Source: SGL Group's own estimates (as of March 2013)

Regional demand in 2012



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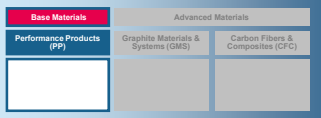
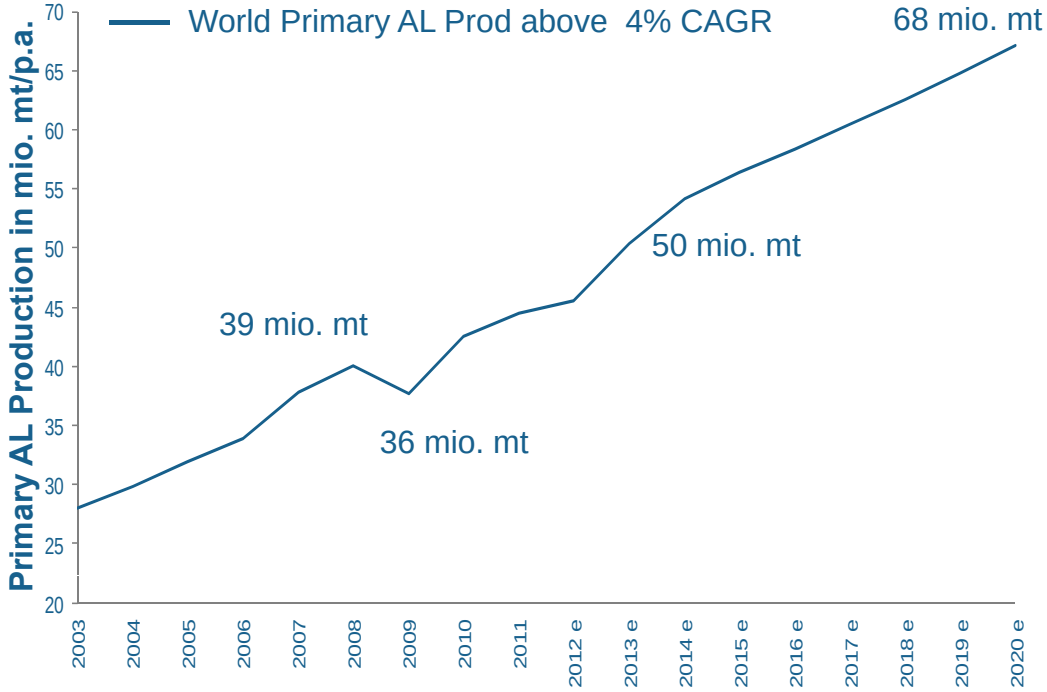
Performance Products
Cathodes for the aluminum industry



- Aluminum demand driven by:
  - Population growth and urbanization
  - Further industrialization of BRICs
  - Weight / strength / cost advantages in higher energy cost environment
- Cathodes essential to aluminum smelters
  - ➔Existing smelters relining
  - ➔Investment good (5 – 7 years lifetime)
  - ➔New smelter construction leading first to project demand and long-term to higher relining demand
- Existing smelters upgrading
  - ➔Amorphous → graphitized cathodes
  - ➔Only three to four major established producers of graphitized cathodes
- Cathodes essential for aluminum smelting but representing only 2% of production costs for 1 mt aluminum

Aluminum global production scenarios 2003 – 2020 / Above pre-crisis scenarios

Fundamentals for Aluminum production growth are solid. Various new Projects under construction and additional feasibility studies for capacity increase underway.



Source: IAI, Habor, SGL Group's own estimates, Hydro; Alcoa, CRU

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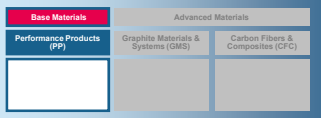
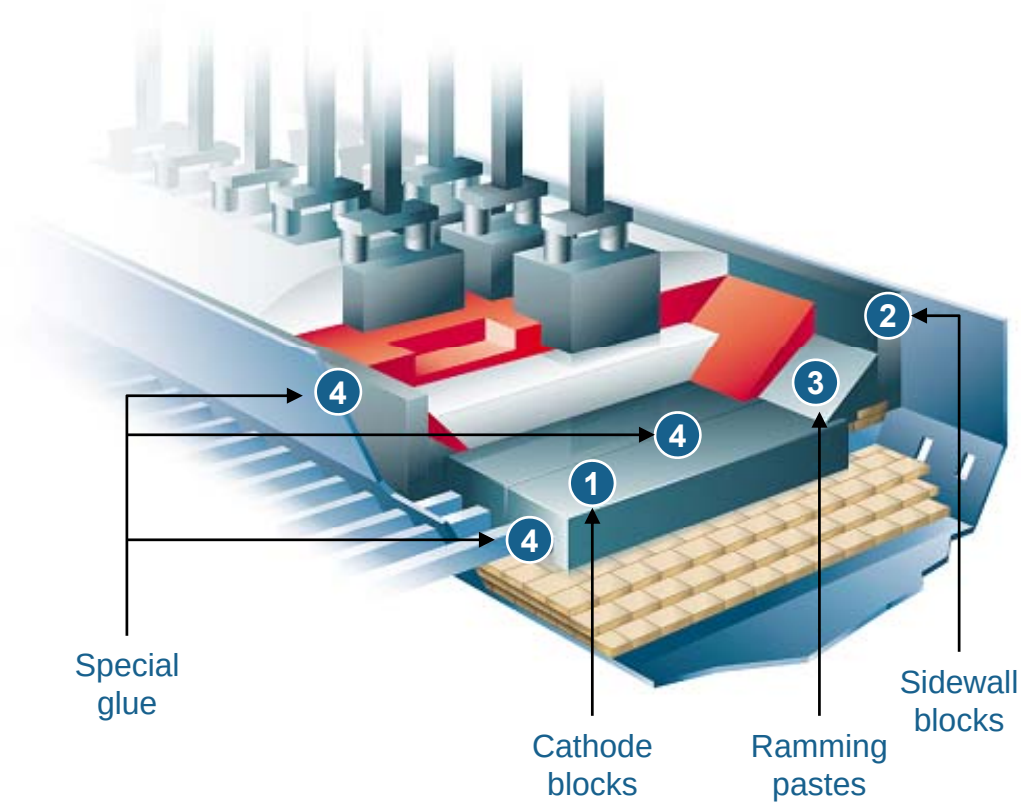
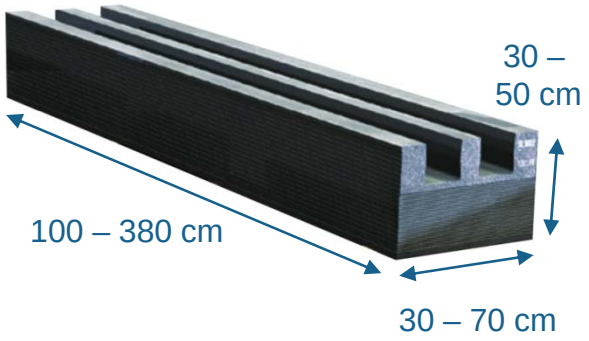
Performance Products
Cathodes for the aluminum industry



Aluminum smelter



Cathodes



Source: SGL Group

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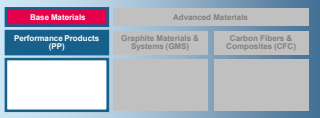
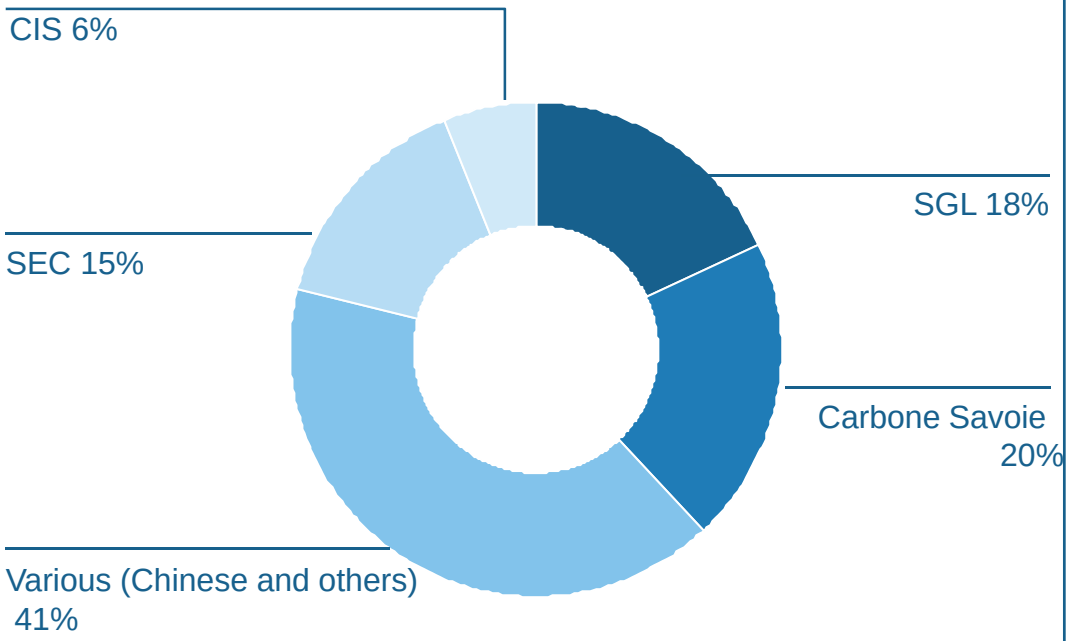
Performance Products
Market shares in cathodes



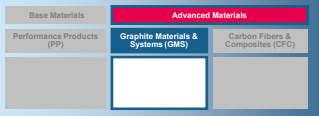
- Increasing cathode demand due to new projects.
- In Western World disproportional growth for graphitized cathodes due to higher efficiency and yield advantages

Market shares in cathodes 2013



Source: SGL Group's own estimates, market shares based on volume (excl. China domestic)
Various (Chinese & others): various cathode producers combined in this number, none of them exceeding 5% market share

Advanced Materials
Graphite Materials & Systems (GMS)



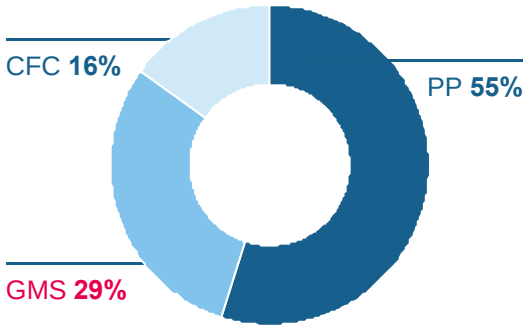
Business units

- Graphite Specialties*
- Process Technology

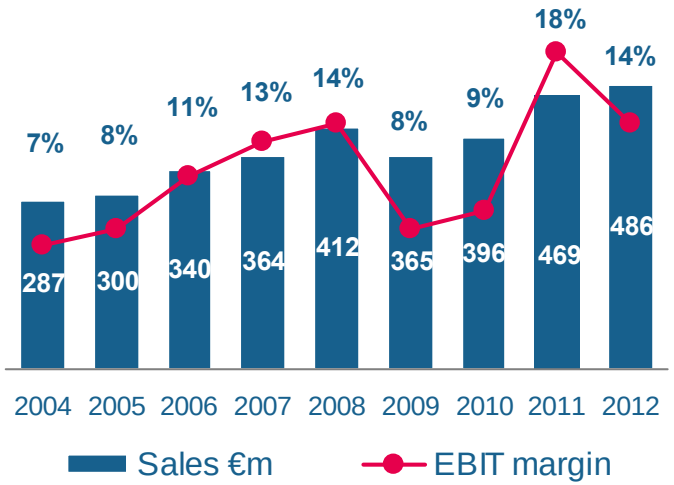
Key industries served

- Chemical
- Energy – Solar/Battery
- Semiconductor/LED
- Metallurgy
- Tool manufacturing
- Automotive
- High-temperature processes

2012 Group sales



GMS sales & EBIT margins



Characteristics

- Sustainable growth potential in renewable energies, energy efficiency and energy storage
- Broadest product portfolio
- Global footprint
- C-parts supplier to high tech investment goods industry

* Former Business Unit New Markets integrated into Business Unit GS as of May 1, 2013

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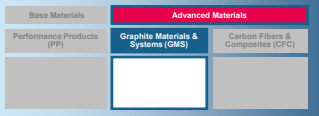
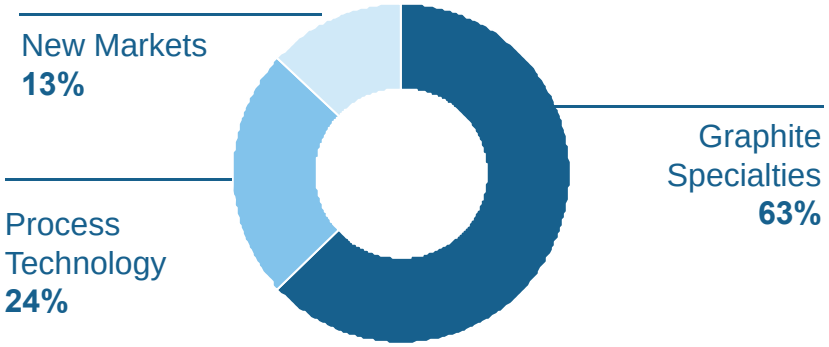
Advanced Materials
Graphite Materials & Systems (GMS)



Sales – 2012



Highlights 2012

- GMS's 2nd best year in history, despite polysilicon, photovoltaic and LED in cyclical downturn, partially compensated by solid performance in other markets, demonstrating the advantage of our broad portfolio
- Long-term trend for isostatic graphite confirmed; capacity expansion on track
- Process Technology ended 2012 with record order backlog
- Ecophit Joint Venture with Lindner Group (for Graphite-based "Green" Air Conditioning)

Medium-term targets

- Sales growth: >10% p.a.
- ROS (based on EBIT): >10%
- ROS (based on EBITDA): >14%

Strategic priorities

- Maintain leading position in all core product technologies
- Capture opportunities in challenging markets to disproportionally participate in market recovery
- Further improve business position in Asia by strengthening local investments and skills

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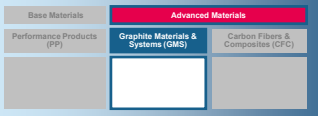
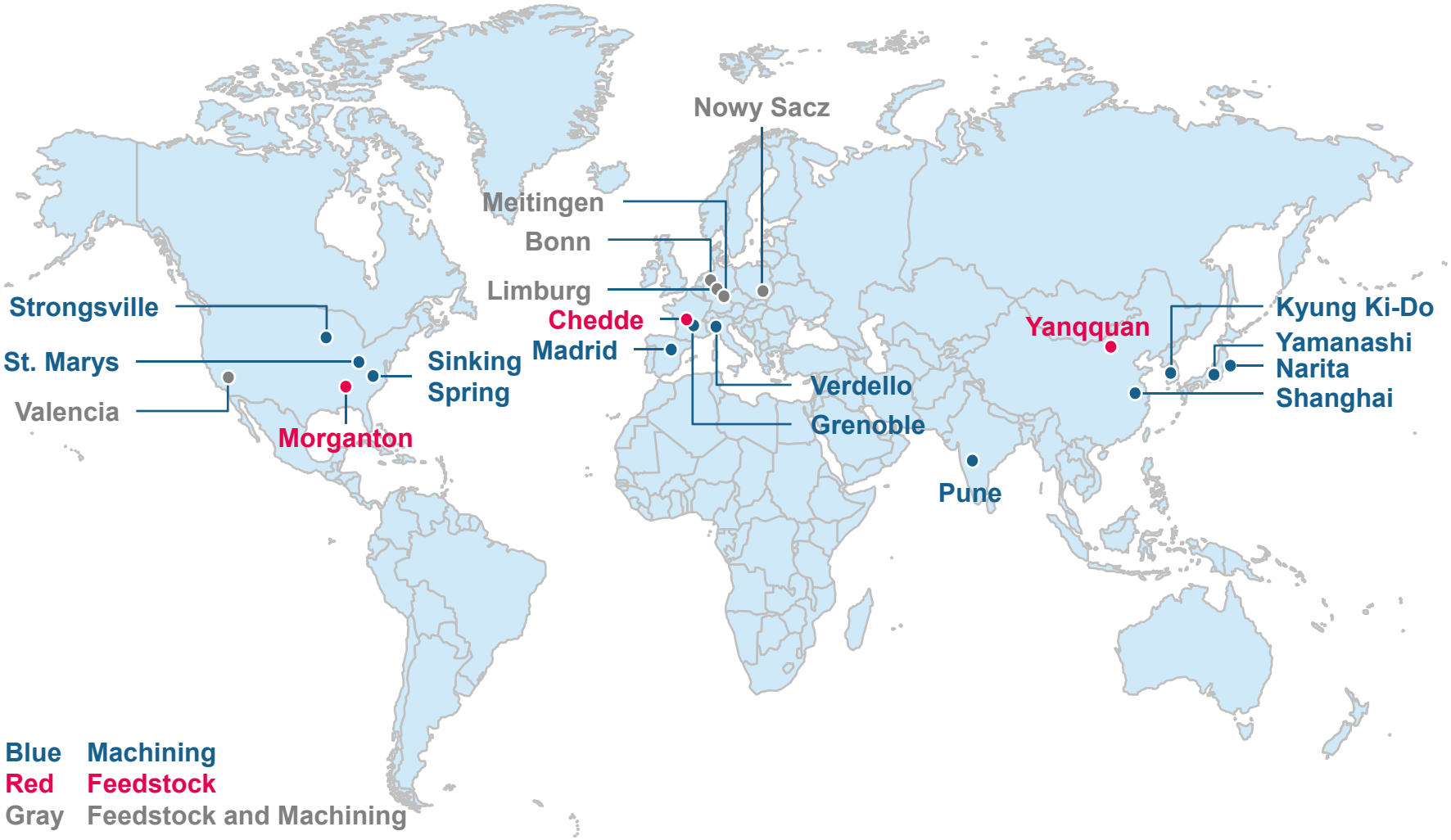
Graphite Materials & Systems
20 Production sites worldwide





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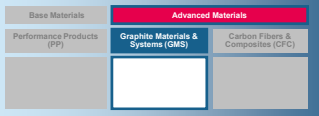
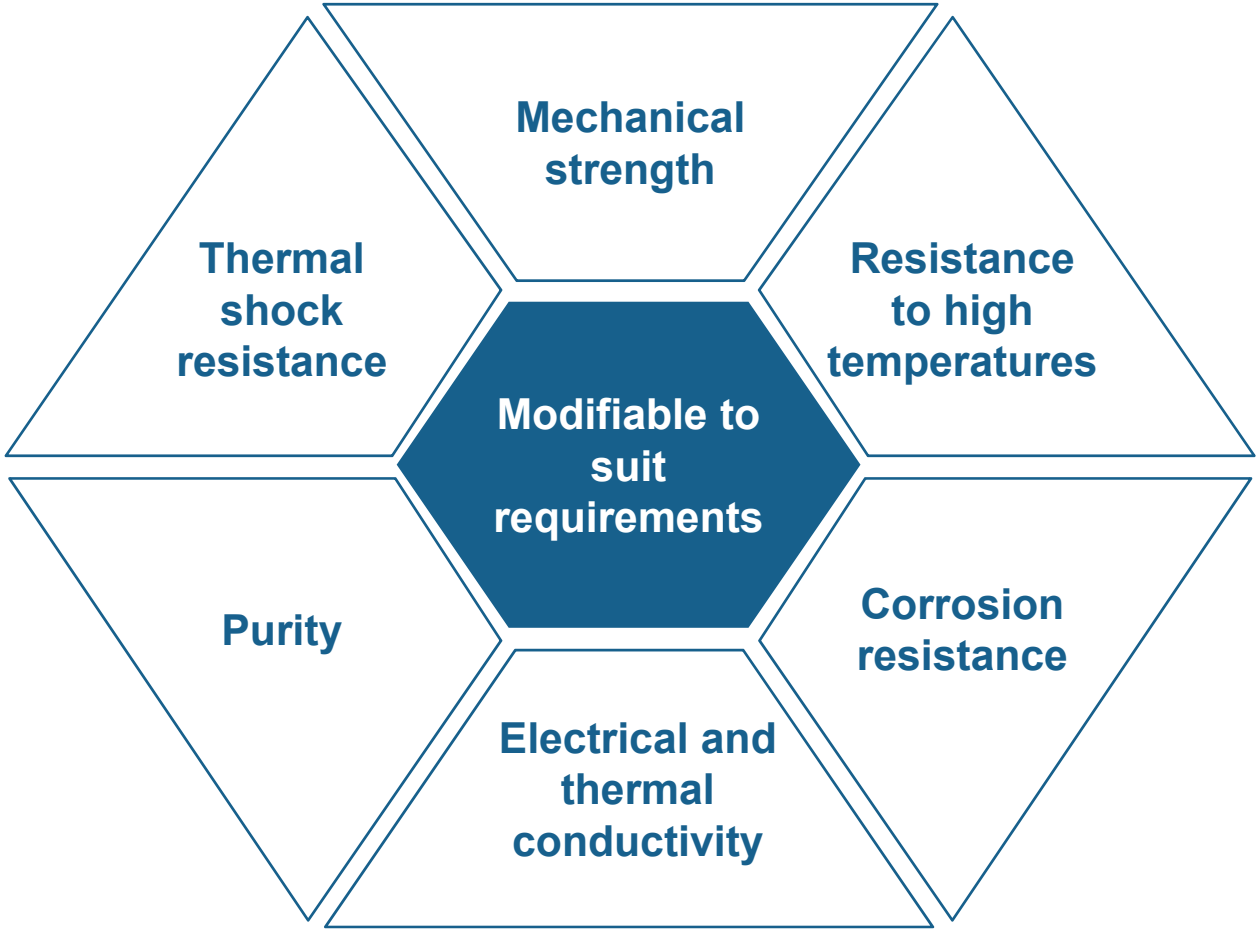
Graphite Materials & Systems

Specialty Graphite comes into play where other materials fail



Main properties carbon and graphite materials



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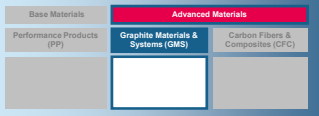
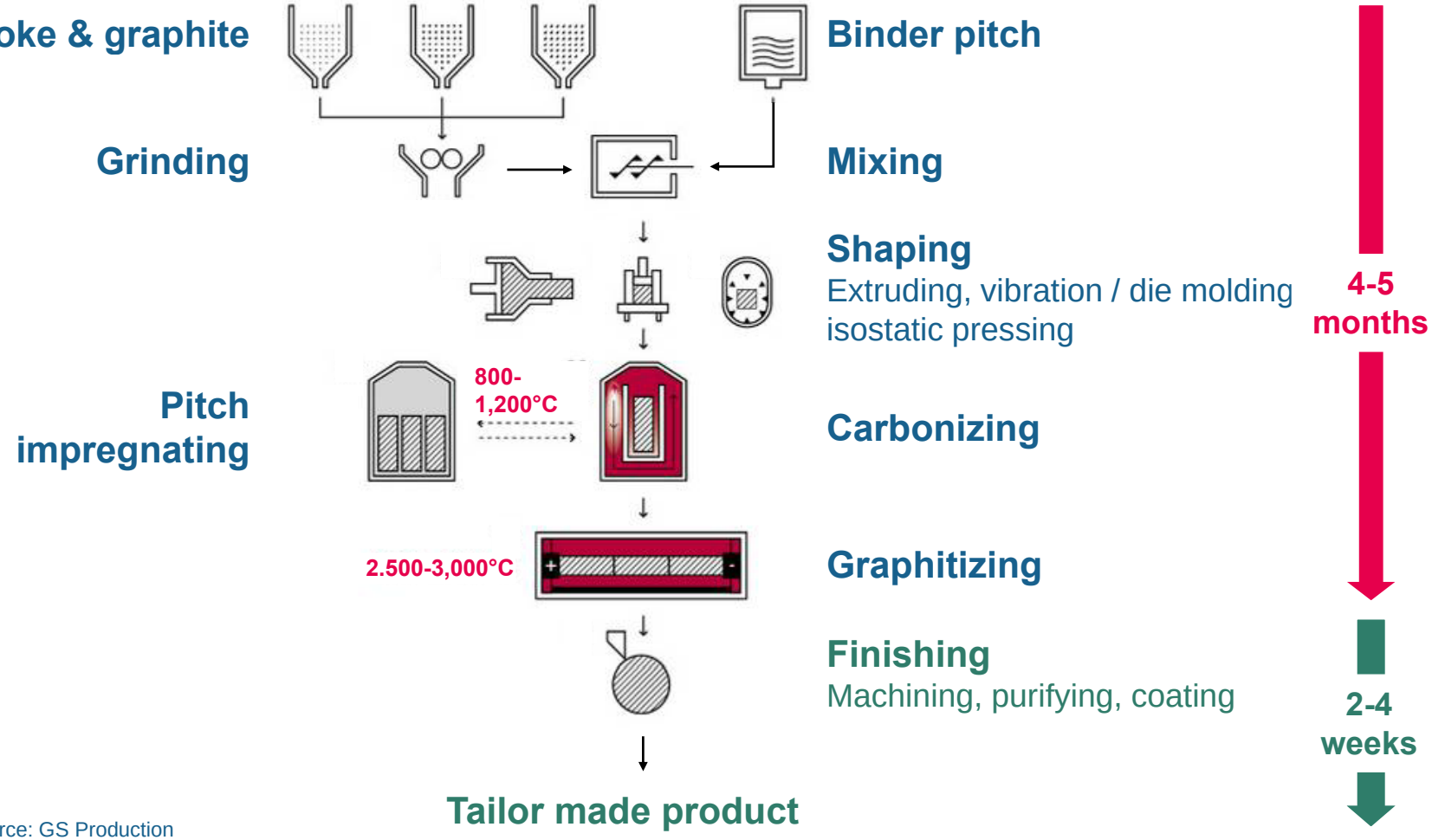
Fine grain graphite manufacturing is complex and requires four to six months production time



Manufacturing process of fine grain graphite



Source: GS Production

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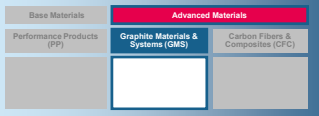
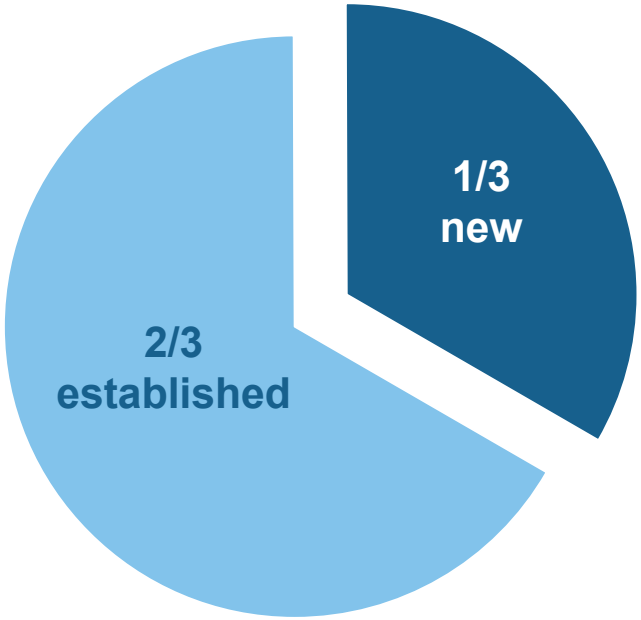
Graphite Materials & Systems
Innovation driving new product portfolio



Examples:

- Advanced Silicon Carbide coated carriers for LED
- Carbon for anode material for **lithium-ion batteries**
- Expanded graphite for **environmental needs** and **thermal management** (JV between SGL Group and Lindner Group for Graphite-based “Green” Air Conditioning)
- SIGRABOND® Performance: carbon fiber reinforced graphite material for heat treatment applications
- Four new products launched in Process Technology: Ecosyn, Ecopor, Heatstorage, Fluegas Heatexchanger

GMS 2012 sales: €486 million



1/3 of sales based on new products introduced over the last 4 years

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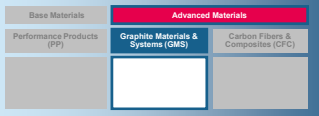
Graphite Materials & Systems

Major customer industries and market shares 2012

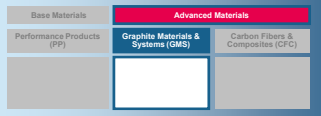


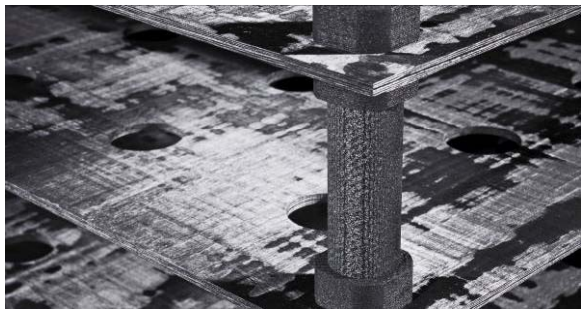
	% of total GMS sales 2012	Global market share 2012
Chemicals	24%	35%
Energy: Batteries & Nuclear	18%	30%
Energy: Solar (including Polysilicon)	16%	25%
Semiconductor (incl. LED)	7%	20%
Metallurgy	7%	25%
Tool manufacturing	6%	10%
Automotive	3%	15%
High-temperature processes	3%	15%

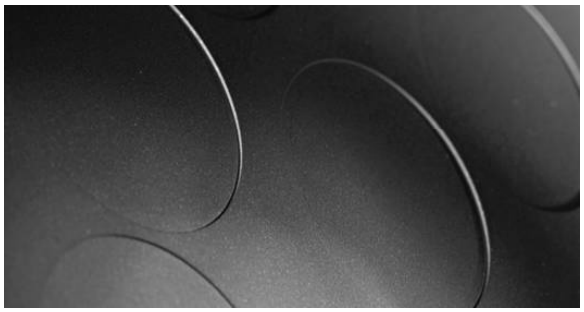
Source: SGL Group's own estimates

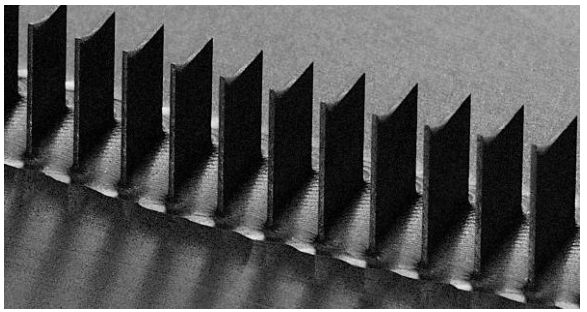
Graphite Materials & Systems

BU Graphite Specialties – the reliable material supplier









Full integration to ensure consistent quality

- Feedstock
- Machining
- Purification
- Impregnation & coating
- Global production: America, Asia/Pacific and Europe

Most comprehensive portfolio in the industry

- Isostatic
- Extruded
- Vibro molded
- Die molded
- Expanded
- Carbon fiber reinforced carbon
- Soft & rigid felt
- SiC coating

Partnering with customers from >35 industries

- Polysilicon, photovoltaic & semiconductor
- LED & sapphire
- Heat treatment
- Sealings & gaskets
- EDM
- Glass & refractories
- Mechanical engineering

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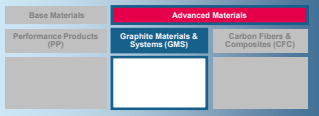
Graphite Materials & Systems
Best solutions for our customers …



… in the PV / Semiconductor Industry

Iso susceptor, heating elements, heat shields/insulation (Soft- and Rigid Felt)

Iso graphite heating element

Mono crystalline silicon ingot

… in the LED Industry

MOCVD reactor

SiC coated Iso Graphite Susceptor

… in the Chemical and Automotive Industry

Flange sealed by a gasket

Reinforced Graphite Sealing Sheet

Flexible Graphite Foil

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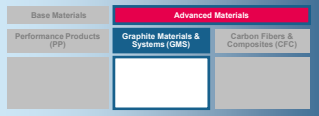
SGL GROUP THE CARBON COMPANY

BU Process Technology

Process solution provider for chemical and related industries



Product portfolio

Systems

- Syntheses
- Distillation, purification, concentration, dilution
- Absorption, desorption
- Reactors & converters
- Steel pickling

Equipment

- Heat exchangers
- Reactors and internals
- Quenchers and vessels
- Pumps
- Piping
- Accessories

After sales services

- Spare parts
- Maintenance / Repairs
- Training

Core industries served

- Chemicals
- Pharma
- Metals & Mining
- Energy
- Solar
- Environmental

Core applications

- Hydrochloric acid (HCl)
- Phosphoric acid (H_3PO_4)
- Sulfuric acid (H_2SO_4)
- Hydrofluoric acid (HF)
- Oxidizing acids
- Isocyanates
- Epichlorohydrine (EPC)
- Vinyl chloride (VCM)
- Polysilicon

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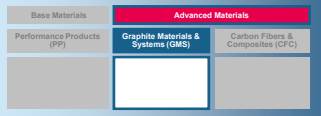
BU Process Technology
Business model and 3D growth strategy



Engineered process solutions lead to high value leverage on graphite

Graphite
SiC
PTFE
Ex. Metals

Engineering

Production

Process Solutions

Value chain

1st Dimension: **Regional rollout**

3D growth strategy – engine for sustainable profitable growth

2nd Dimension: **New products**

3rd Dimension: **New industries**

Leading to sales growth, ROS and ROCE supporting GMS targets

3D growth strategy – engine for sustainable profitable growth

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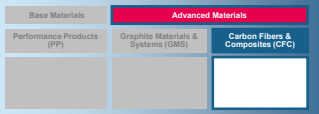
Advanced Materials
Carbon Fibers and Composites (CFC)



Business units*

- Carbon Fibers/ Composite Materials
- Aerostructures

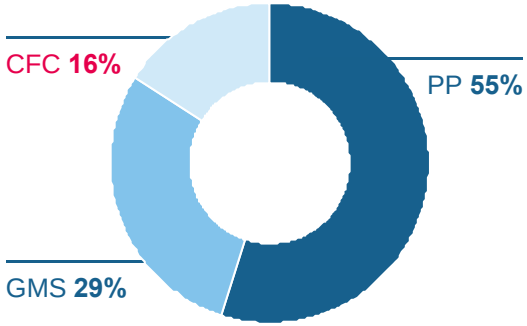
At-Equity JVs

with BMW, Brembo, Benteler

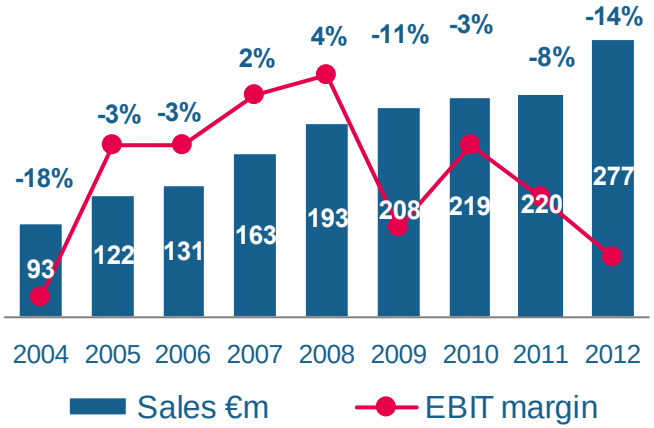
Key industries served

- Energy
- Aerospace & Defense
- Automotive
- Industrial
- Recreation
- Medical Technology
- Construction
- Pressure Vessels

2012 Group sales



CFC sales & EBIT margins



2004-05 SGL Technologies Business Unit excl. Expanded Graphite
2004-07 incl. Brake Disc business
SGL Rotec consolidated from September 2008 onwards
Fisipe consolidated from April 2012 onwards

Characteristics

- New applications in automotive, energy, aeronautics, industrial
- High earnings improvement potential
- Complete value chain in house
- Only EU carbon fiber company

* Former Business Unit Rotor Blades sold as of December 31, 2013

BROAD BASE. BEST SOLUTIONS.

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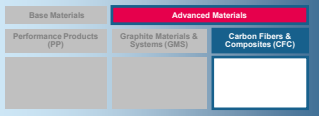
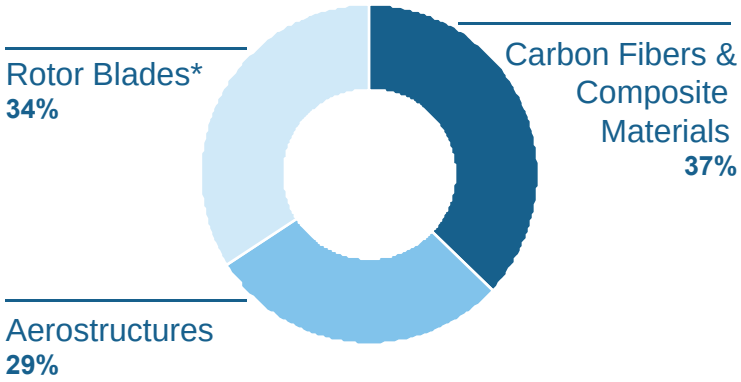
Advanced Materials
Carbon Fibers and Composites (CFC)



Sales – 2012



*sold as of December 31, 2013

Highlights 2012

- Carbon Fibers & Composite Materials (CF/CM):
  - Secured own raw material supply (acquisition of Fisipe)
  - JVs with BMW Group for automotive materials progressing on schedule to support SOP of new car models
- Aerostructures (AS)
  - Further ramp up of customer projects in commercial and military aviation
  - High investments in automation to support further growth in aerospace & defense business
- Rotor Blades (RB)*:
  - Increased utilization due to acquisition of new customers and internal optimization programs improved profitability

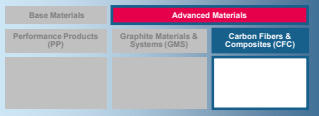
Longer-term targets

- Sales growth: >20% p.a.
- ROS (based on EBIT): >10%
- ROS (based on EBITDA): >14%

Strategic priorities

- Become supplier of choice for our focus markets
  - Automotive
  - Alternative Energies
  - Aerospace & Defense Technology
  - Industrial, Construction, Pressure Vessels
- Optimize carbon fiber and composite capacities along the value chain
- Support organic growth with selective partnerships and (bolt-on) acquisitions
- Convert Fisipe acrylic fiber lines into PAN precursor production

Carbon Fibers & Composites
Best solutions for our customers



Carbon fiber

Aerostructures

Lightweight automotive parts

Fabrics

Brake discs

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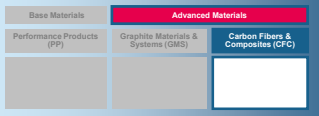
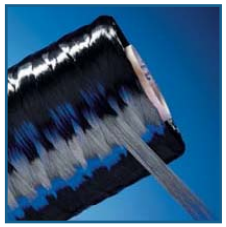
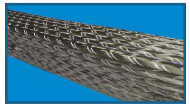
SGL Group: only integrated European carbon fiber producer

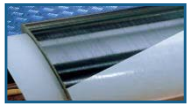
(Re-)Focus on materials & automotive/other industrial components



Carbon Fibers & Composite Materials







Raw Material → PAN Precursor

- **Fisipe** (100%)
- **MSP**: JV with Mitsubishi Rayon (33%)

Carbon Fiber → Carbon Fiber

- **Prod. Capacity**
  ~ 4kt in UK
  ~ 2kt in USA
- **SGL-ACF**: JV with BMW (51%)
  ~ 3kt in USA

Composite Materials → Prepreg Preform

- **SGL epo** (100%)
- **SGL Kümpers** (51%)
- **SGL-ACF**: JV with BMW (51%)

Composite Components*

Automotive & other Industrial

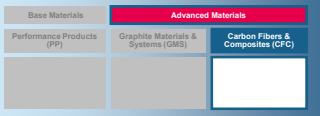
- **Benteler SGL** (50%)
- **Brembo SGL Carbon Ceramic Brakes** (50%)

Aerospace & Defense

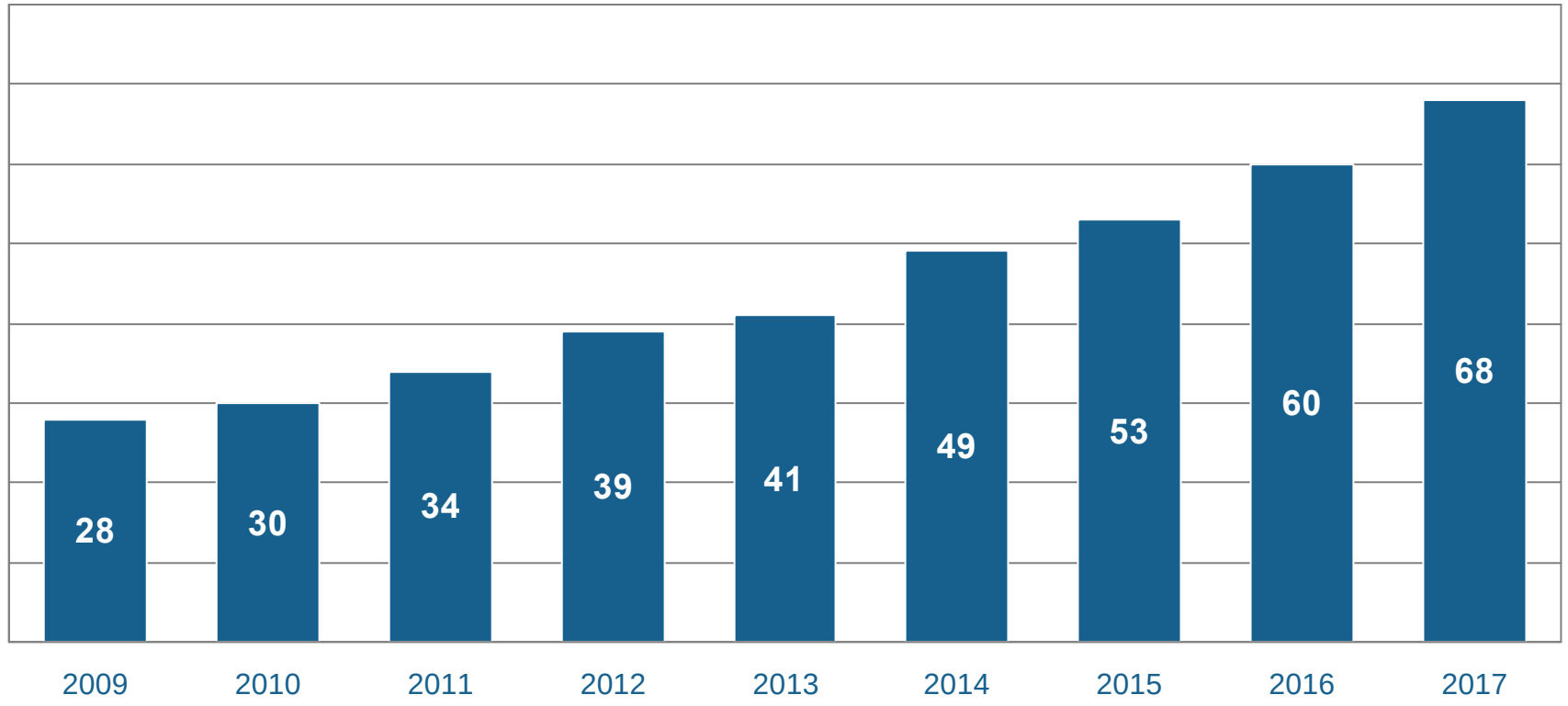
- **HITCO** (100%)

* Former Business Unit Rotor Blades sold as of December 31, 2013

Carbon Fibers & Composites: Carbon fiber demand growth delayed but all growth drivers intact



CF market forecast (in thousand mt p.a.)



Source: SGL Group market research

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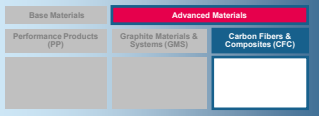
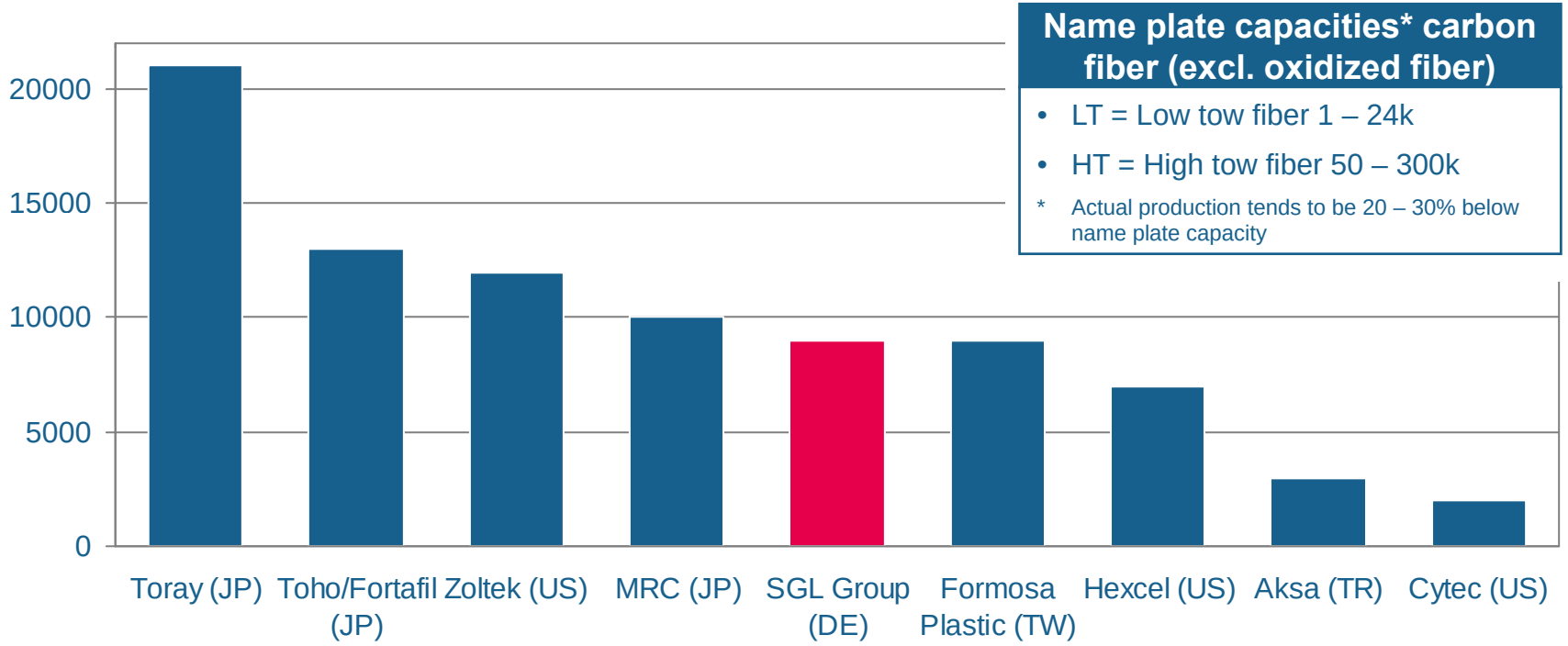
Carbon Fibers & Composites
Carbon fiber capacity



Capacity in mt



Name plate capacities* carbon fiber (excl. oxidized fiber)

- LT = Low tow fiber 1 – 24k
- HT = High tow fiber 50 – 300k

* Actual production tends to be 20 – 30% below name plate capacity

Precursor	Own	Own	Own	Own	Own*	Own	Own	Own	Own
Product	LT	LT	HT	LT/HT	HT	LT	LT	LT	LT
Markets	Aero / Ind.	Aero / Ind.	Ind.	Ind.	Ind.	Ind.	Aero / Ind.	Ind.	Aero / Ind.

Source: SGL Group's own estimates, company websites (as of January 2013)
* following conversion of Fisipe acrylic fiber lines to PAN-precursor

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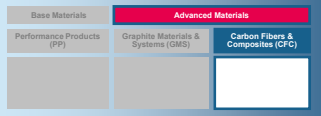
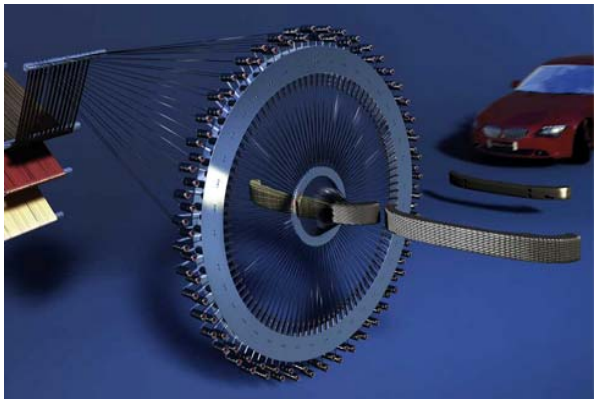
Carbon Fibers & Composites
Composite Materials



- Carbon fibers can be woven or braided and are often impregnated with resin before component production

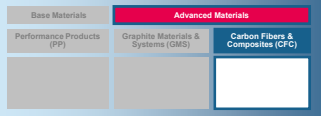
- We aim to have a broad range of technologies for prepreging / preforming
  - Impregnation (e.g., prepregs for wind turbine blades or aircraft parts)
    - SGL epo
  - Weaving (e.g., sporting goods, automotive, medical industry)
  - Preforms (e.g., automotive industry)
  - Braiding (e.g., automotive industry)
    - SGL Kümpers



SGL Kümpers

SGL epo

Carbon Fibers & Composites
Aerostructures – HITCO

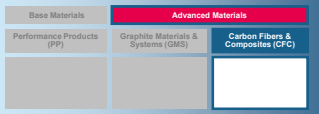


- HITCO: California-based composite component manufacturer for aerospace & defense industries
- Complex multi-contoured hand lay-up expertise augmented by world class automation for carbon fiber reinforced aero structures
- Investment into automation technologies AFP (Automated Fiber Placement machine), ATL (Automatic Tape Layer machine) and NDI (Non Destructive Testing Equipment) substantially improves competitiveness of HITCO
- Infrastructure installed to support high rate fabrication of primary structure – passenger floor beams and cargo beams
- Successive Preferred Supplier Certifications from The Boeing Company for Quality & Delivery Performance
- Recent contract wins / extensions:
  - Composite Cargo Beams for 787-9 Dreamliner Section 46
  - 767 Engine Fan Cowl
  - Automated fabrication of Out Of Autoclave (OOA) Mixed Modulus Material

AFP

ATL

Carbon Fibers & Composites
JVs in automotive



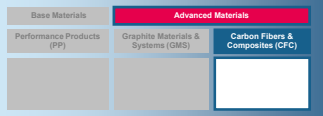
- Benteler-SGL:
  - 50/50 JV between SGL Group and Benteler AG to develop composite based automotive components
  - Leading position in developing structural automotive parts and modern, automated production technologies
  - Successful manufacturing of prototype parts for the BMW i projects
  - Set-up of the first high volume composite components production plant

- Brembo-SGL:
  - 50/50 JV between SGL Group and Brembo SPA for carbon ceramic based automotive brakes
  - Leading global position, supplying most of the high-end car makers, with production sites in Germany and Italy

- SGL Group's strategic objectives in automotive:
  - Drive the metal substitution process in automotive to become a major automotive parts supplier
  - Ensure that SGL Group's materials are at the forefront in the automotive industry

Carbon Fibers & Composites

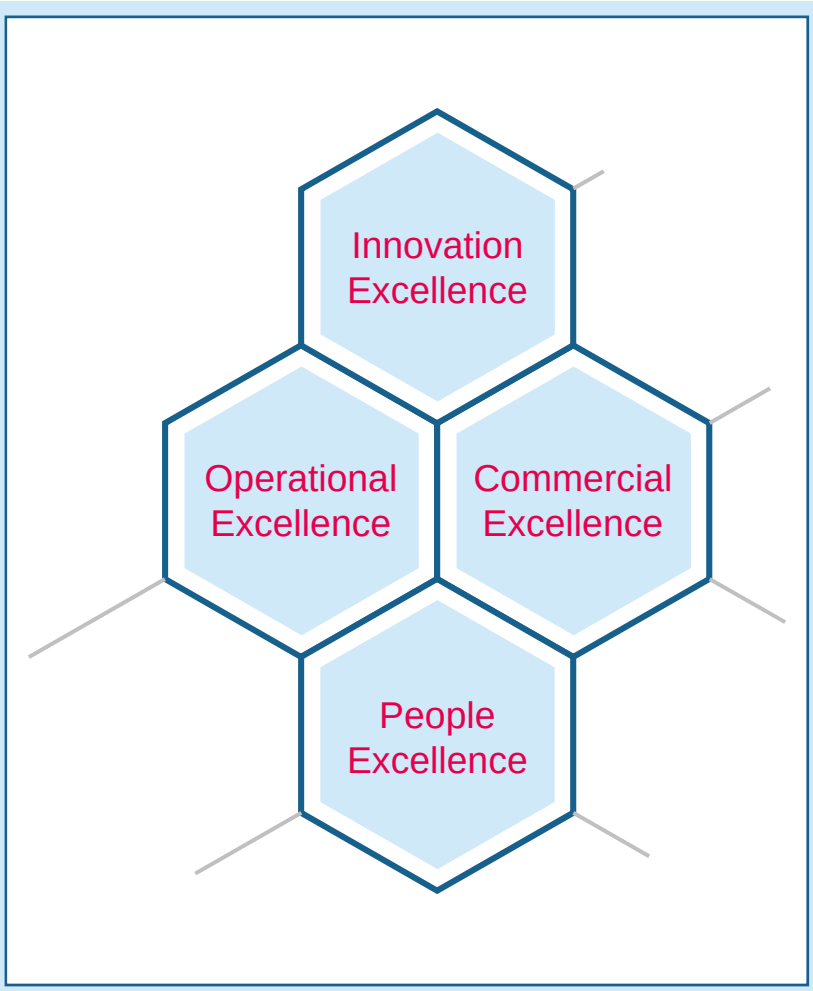
JVs with BMW, Mitsubishi exclusively for BMW's demand



- Milestone in serial application of carbon fibers in automotive industry – market launch of first serially produced car (BMW i3) with a CFRP passenger cell in 2013
- €90 million total investment volume in initial phase, overall investment volume €230 million subject to BMW demand increase
- JVs to be accounted for at equity by SGL and BMW during build-up phase
- BMW guarantees certain minimum purchasing volumes at contractually agreed conditions in the context of safeguarding the overall project
- BMW provides debt financing
- SGL Automotive Carbon Fibers LLC, Moses Lake (USA): 51/49 JV between SGL Group and BMW Group to produce carbon fibers exclusively for BMW's demand (3kt carbon fiber capacity in 1st stage)
- SGL Automotive Carbon Fibers, Wackersdorf (Germany): 51/49 JV between SGL and BMW Group to produce composite materials (fabrics) in Wackersdorf (Germany) based on carbon fiber produced in Moses Lake (USA)
- These fabrics to be sold to BMW who will produce automotive parts and then assemble the BMW i3 and i8 in Leipzig (Germany)
- Precursor supply safeguarded by MRC – SGL Precursor Co. Ltd., Otake (Japan): 33/67 JV between SGL Group and Mitsubishi Rayon

Source: BMW Group

Ensuring the future
SGL Excellence – enables productivity and growth



SGL Excellence

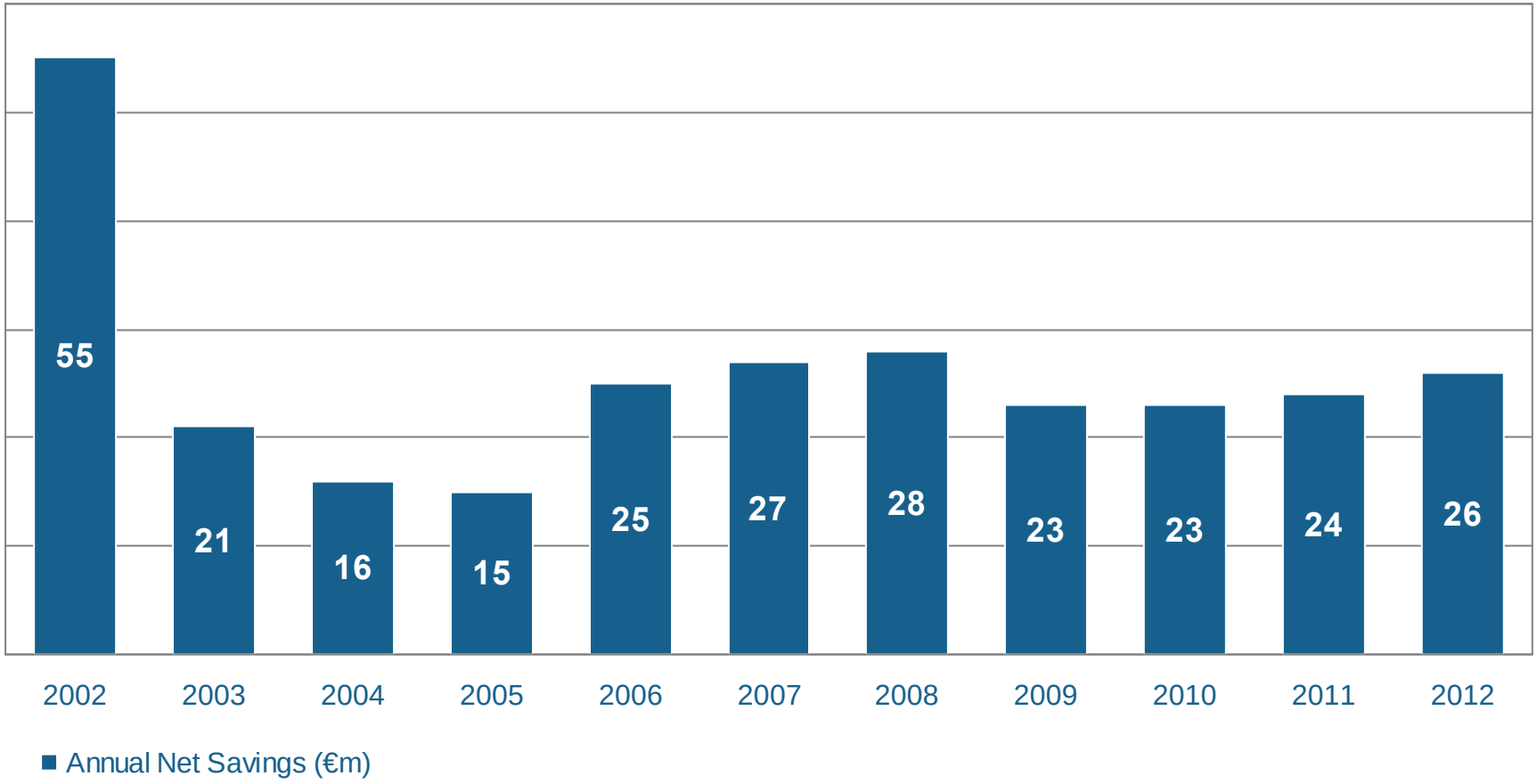
- Started in 2002
- The core element of the Company mission
- An ongoing and Company wide program
- Our philosophy of doing business

SIX SIGMA + LEAN

- Our core methodology
- Focuses on:
  - Customer value
  - Measurable objectives and results
- Applies to every function in our Company
- Empowers our employees with skills and tools:
  - **> 4,000 SIX SIGMA trained employees**
  - **> 350 active Green Belts**
  - **> 120 Black Belts**

Ensuring the future
SGL Excellence savings

Since 2002 continuous cost reduction of €283 million in total



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Ensuring the future
Technology & Innovation – foundation for profitable growth

Technology & Innovation: SGL Group's centralized R&D organization

- Market driven R&D ensures best-in-class support for current and future customers
- Industry networks with suppliers and customers are an essential part of our development strategy thus ensuring close contacts to our markets
- Global networks with leading universities cover the basic research.
- Material, process and application know-how is the platform for our development clusters: synthetic graphite, carbon fibers and composites, energy systems, and ceramic fibers and composites.
- Strategic IP management safeguards our products and processes and is a driver of our long term market success

Ensuring the future
Technology & Innovation – foundation for profitable growth

Activity areas of T&I 2013

Raw materials & synthetic graphite development for basic industries targeting

- Reduction of graphite electrode consumption in EAF by optimization of raw materials, oxidation resistance and GE-joint
- Increase energy efficiency of aluminum production process by improved cathode recipes and advantageous cathode designs
- Elongate lifetime of furnace linings by improved microporous carbon-ceramic recipes and advanced lining bloc designs

Strengthen Carbon Fiber based value chain

- Operation of carbon fiber Pilot Line and improvement of carbon fiber production processes
- Development of new carbon fiber grades based on own precursor
- Development of a new composite material system based on Thermoplastic matrix

Energy systems

- Low cost graphite based anode materials for Li-ion batteries.
- New carbon & graphite based composite anode materials with enhanced energy density for 3rd generation Li-Ion batteries
- Development of carbon felt with enhanced surface characteristics and improved electrochemical behavior for stationary energy storage systems such as redox flow batteries.
- Advanced gas diffusion layers for PEM fuel cells for automotive and stationary applications.

Improved Ceramic Materials

- Development of new C/SiC materials and manufacturing methods for complex shaped ceramic structures
- Development of high-temperature stable SiC fiber

Latest Financials and Outlook 2013

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SGL Group
9M/2013 Results for the Group

in € million	9M/2013	9M/2012*
Sales revenue	1209.7	1255.9
EBITDA before non-recurring charges	89.5	188.6
EBITDA-Margin before non-recurring charges (in %)	7.4	15.0
EBIT before non-recurring charges	28.0	130.3
EBIT-Margin before non-recurring charges (in %)	2.3	10.4
Non-recurring charges	-179.4	-54.2
Results from At-Equity accounted investments	-13.9	-12.4
Net financing result	-37.3	-38.5
Profit before tax	-202.6	25.2
Consolidated net profit attributable to equity holders	-277.8	-5.6
EPS, basic (in €)	-3.92	-0.08

- Sales revenue -4%, currency adjusted -2% - Fisipe (acquired in Q2/2012) contributed 3%
- EBITDA significantly decreased due to price pressure in PP and cyclical trough at GMS
- Cost savings of €34 million from SGL2015 in 9M/2013, of which €19 million attributable to SGL Excellence
- Non recurring charges of €174.9 million relating to extraordinary effects recorded in Q2/2013 and restructuring expenses in Q3/2013. Tax expense of €74.4 million includes impairment of deferred tax assets on loss carry forwards due to lower short and midterm earnings expectations and provisions for tax risks from ongoing tax audits totaling €69 million

* Adjusted for effects of adopting IAS 19R

SGL Group
9M/2013 Results for Performance Products (PP)

in € million	9M/2013	9M/2012*
Sales revenue	595.9	681.4
EBITDA before non-recurring charges**	94.3	168.0
EBITDA-Margin before non-recurring charges (in %)**	15.8	24.7
EBIT before non-recurring charges**	63.7	139.5
EBIT-Margin before non-recurring charges (in %)**	10.7	20.5

- Sales revenue (-12%) strongly impacted by price pressure in graphite electrodes, currency impact -2%
- Reduced EBITDA (-44%) due to
  - lower selling prices as a result of intensifying price pressure in H2/2013
  - prior year EBITDA benefited from low double-digit million € final settlement of longterm supply contract
- Closure of graphite electrode plant in Lachute (Canada) announced. Phase-down of production towards year end 2013. Final closure expected in Q1/2014. Non-recurring charges of €24.9 million accounted in 9M/2013 resulting from asset write-offs. Reduction of 30,000 t graphite electrode capacity 1st step to sustain cost leadership of SGL Group
- €16 million savings from SGL2015, thereof €9 million from SGL Excellence

* Adjusted for effects of adopting IAS 19R

** Non-recurring restructuring charge of €24.9 million relating to the closure of the plant in Lachute (Canada)

SGL Group
9M/2013 Results for Graphite Materials & Systems (GMS)

in € million	9M/2013	9M/2012*
Sales revenue	311.7	374.5
EBITDA	40.1	69.1
EBITDA-Margin (in %)	12.9	18.5
EBIT	27.0	55.9
EBIT-Margin (in %)	8.7	14.9

- Sales revenue -17%, currency adjusted -14%
  - 9M/2012 still benefited from high order backlog at end 2011
  - Business Unit Graphite Specialties (GS) reached cyclical trough in 2013 driven by downward trend in new orders from all three regions (Asia, Europe and North America). Order intake in the previously more stable industrial applications substantially weakened since beginning of 2013, in addition to an already weak demand development in solar, semiconductor and LED industries. Positively, trend in Q3 showed some stabilization
  - Business Unit Process Technology sales slightly surpassed previous year level
- EBITDA decreased significantly due to
  - underabsorption of fixed costs in Business Unit GS as production levels adjusted to lower order backlog
  - price pressure in some areas within Business Unit GS
- €9 million savings from SGL2015, thereof €5 million from SGL Excellence

* Adjusted for effects of adopting IAS 19R

SGL Group
9M/2013 Results for Carbon Fibers & Composites (CFC)

in € million	9M/2013	9M/2012*
Sales revenue	298.7	197.6
EBITDA before non-recurring charges**	-16.4	-11.9
EBITDA-Margin before non-recurring charges (in %)**	-5.5	-6.0
EBIT before non-recurring charges**	-30.2	-24.2
EBIT-Margin before non-recurring charges (in %)**	-10.1	-12.2

- Sales revenue increase 51%, currency adjusted 53%
  - initial consolidation of Fisipe (acquired in Q2/2012) contributed 34%-points to sales growth (9M/2013: €87.5 million, 9M/2012: €55.4 million)
  - like-for-like sales growth of 26% mainly due to higher sales in Business Unit Rotor Blades (sold as of December 31, 2013)
- EBITDA decreased due to
  - continued underutilization of capacities in the carbon fiber business due to project shifts, resulting in lower material demand from wind industry and other industrial applications
  - unsatisfactory utilization level in the Business Unit AS caused by Boeing 787 and Joint Strike Fighter delays
  - price pressure in carbon fiber markets due to overcapacities as a result of project delays
- €7 million savings from SGL2015, thereof €5 million from SGL Excellence

* Adjusted for effects of adopting IAS 19R
** Non-recurring charges of €153.6 million, thereof €153.2 million extraordinary effects in Q2/2013

SGL Group
9M/2013 Results for Central T&I and Corporate Costs

in € million	9M/2013	9M/2012*
Sales revenue/other revenue	3.4	2.4
Central T&I costs (EBIT)	-7.7	-8.9
Corporate costs (EBIT)	-24.8	-32.0

- Central T&I costs decreased by 14% mainly due to the already implemented cost savings measures as well as a grant received in 9M/2013
- Corporate costs decreased by 23% primarily due to lower expenses for variable remuneration components and cost savings related to consulting fees and travel expenses
- €2 million savings from SGL2015

* Adjusted for effects of adopting IAS 19R

SGL 2015: targeting approx. €150 million savings by end 2015*

Approx. €50 million* cost savings to be realized in 2013 already

PP & GMS affected by cyclical downturn and temporary overcapacities, CFC impaired by repeated project and development delays => **SGL2015:** comprehensive global cost savings program consisting of three pillars

Organizational restructuring

Review of organizational structure with support of external consultant

Adjust and simplify business processes

Streamline management structures

Reduce SG&A cost base by one third from €90 million to €60 million

Site restructuring

Develop measures for site restructuring

Relocate, close or sell production assets *e.g. GE plant closure in Lachute (Canada)*

Adapt production network to changed circumstances

Improve capacity utilization

Reduce fixed costs

Portfolio restructuring

Optimize portfolio

Potentially divest non core activities
e.g. sale of SGL Rotec (Germany) as of December 31, 2013

Transfer activities into partnerships

- non-recurring restructuring expenses expected to reach nearly €100 million
- major part to be accounted for in 2013 annual financial statements
- approx. 40% cash effective mostly from 2014 onwards, remainder non cash

- of approx. €50 million cost savings in 2013 roughly half from SGL X, remainder from other cost savings measures - already €34 million savings achieved in 9M/2013

* Based on 2012 actual costs

SGL Group
Group Outlook 2013

Group

- FY 2013 sales slightly below 2012 level*
- EBITDA (before non-recurring charges) 50-60% below comparable 2012 level (€240 million before project write-offs)
- Substantially improved At-Equity results from CFC JVs
- Substantial Group-wide cost savings program initiated: SGL2015

Capex, Balance Sheet, Cash Flow

- GEARING temporarily above mid term target of approx. 0.5
- CAPEX limited to below €100 million
- Negative FREE CASH FLOW - due to restricted capex and working capital requirements: FREE CASH FLOW neutral in H2/2013

Key risks to forecasts

- Further political, economic, and currency related uncertainties
- Further market risks arising from new capacities temporarily exceeding demand

* Based on constant currencies

SGL Group
Business Area Outlook and Key Assumptions 2013

Performance Products (PP)

- **Graphite Electrodes:** slight volume growth in Q4/2013 vs. previous three quarters expected. Prices in Q4 to remain at low levels, below H1/2013 and FY2012 level, but some raw material price benefits in Q4 2013
- **Cathodes:** previous year EBITDA boosted by final settlement of long term contract, stepwise recovery in demand continues, price increases not yet enforceable

=> FY 2013 sales substantially lower YoY*, EBITDA ROS in 2013 significantly below 2012 and H1/2013

Graphite Materials and Systems (GMS)

- **Graphite Specialties:** impacted by cyclical downturn across all end markets; however, the order intake has stabilized in the last months
- **Process Technology:** strong order backlog at year end 2012 to positively impact 2013 sales and earnings resulting in a performance similar to its record year 2012

=> Sales significantly lower YoY*, EBITDA ROS slightly below mid term target of ≥ 14%

Carbon Fibers & Composites (CFC)

- **Carbon Fibers/Composite Materials:** continues to be affected by overcapacities resulting from lower demand in the wind, sports and leisure markets as well as other industrial applications
- **Aerostructures:** HITCO continues to be negatively affected by delays in civil and military aerospace projects
- **Rotor Blades** (sold as of December 31, 2013)**:** SGL Rotec to reduce losses compared to 2012 thanks to higher capacity utilization and further improving productivity

=> Slight reduction in operating losses compared to 2012 due mainly to internal optimization measures

* Based on constant currencies

Financing Structure, Balance Sheet Ratios and Cash on Hand
Solid despite temporary earnings deterioration

SGL Group established a solid long term financial structure in December 2013

- €250 million Corporate Bond at 4.875% (maturity 2021)
- €200 million credit facility, undrawn (maturity 2017)

Supported by previously issued debt instruments (June 2009 and April 2012)

- €134.7 million* Convertible Bond at 3.5%, adjusted conversion price of €29.00 (maturity 2016)
  (originally €190 million prior to conversion)
- €240 million Convertible Bond at 2.75%, adjusted conversion price of €43.5164 (maturity 2018)

SGL Group has solid balance sheet ratios and liquidity at end of September 2013

- Equity ratio: 36%
- Gearing: 0.64
- Total liquidity: €178 million

* As of December 31, 2013

Appendix

Global presence

11 production sites
North America

24 production sites Europe

8 production sites
Asia

Shares in issue and shareholder structure

Basic shares	
Security Identification Number	723530
ISIN Number	DE0007235301
Cusip Number	784 188 203
Number of Shares (as at December 31, 2013)	71,016,193
Free float	~ 38%

Reported shareholdings according to §§ 21 f. WpHG		
SKion GmbH	(17 May 2011)	26.87%
BMW AG	(21 Dec 2011)	15.72%
Volkswagen AG	(04 Dec 2013)	9.98%
Voith GmbH	(01 Sep 2011)	9.14%

Debt market instruments

Convertible notes (maturity 2016)	
Coupon	3.5%
Principal Amount	€ 190 million
Outstanding Amount (as at December 31, 2013)	€ 134.70 million
Adjusted Conversion Price	€ 29.00
Conversion Right (as at December 31, 2013)	4.64 million shares
Issue Date	30 June 2009
Date of Maturity	30 June 2016

Convertible notes (maturity 2018)	
Coupon	2.75%
Principal Amount	€ 240 million
Adjusted Conversion Price	€ 43.5164
Conversion Right (as at December 31, 2013)	5.52 million shares
Issue Date	25 April 2012
Date of Maturity	25 January 2018

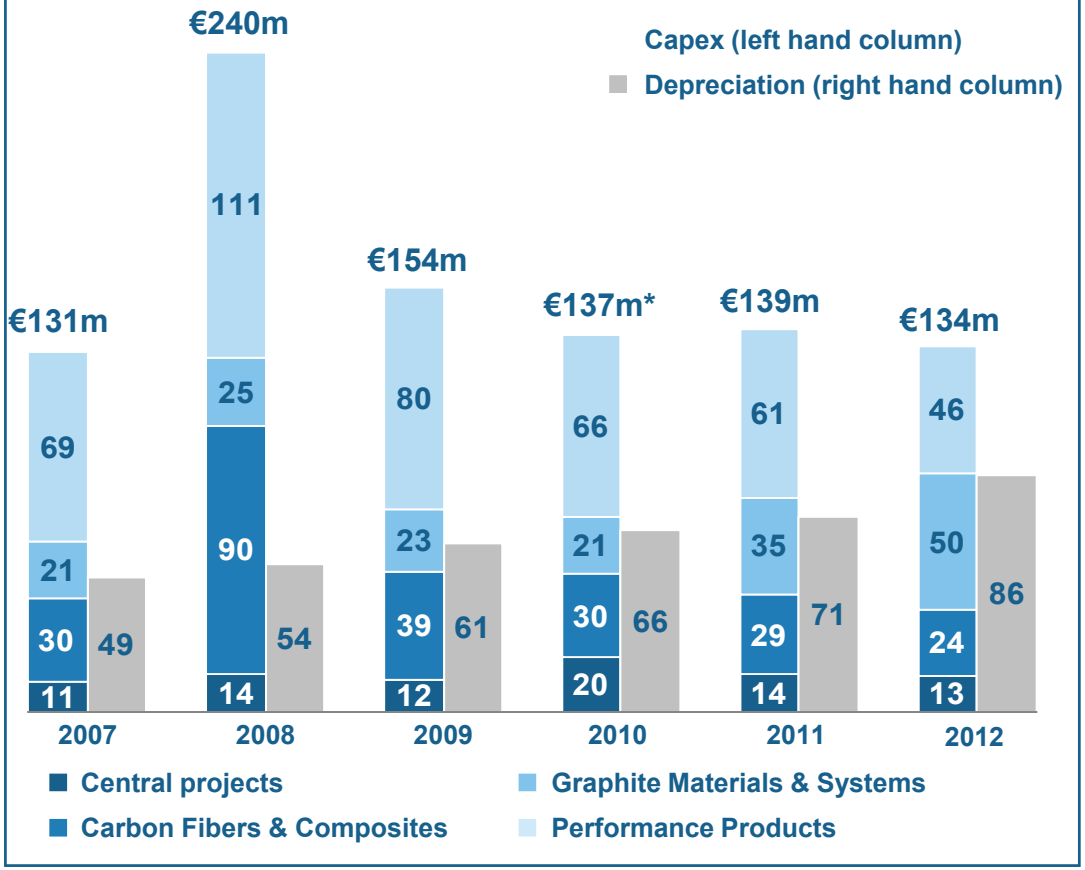
Corporate bond (maturity 2021)	
Coupon	4.875%
Principal Amount	€ 250 million
Issue Date	12 December 2013
Date of Maturity	15 January 2021

Capital Expenditure by Business Area

Major investment focus in 2012:

- **PP:**
  - **Continued build up of new GE + CA production facility in Malaysia**
  - **Replacement and EHSA investments in Spain and Poland**
- **GMS:**
  - **Isostatic graphite capacity expansion in Bonn (Germany)**
  - **Capacity expansion in USA and China**
  - **EHSA investments in France and in USA**
  - **Reconstruction of Sigraflex facility in Meitingen (Germany)**
- **CFC:**
  - **Further investments in automation technologies at HITCO (USA) and SGL Kümpers (Germany)**
  - **Infrastructure improvement in Lemwerder (Germany)**
  - **EHSA investment in Scotland**

Capital expenditure and depreciation (in € million)



* Reported capex of €129.5 million for 2010 includes €7.4 million cash inflow for services rendered by SGL Group. Therefore cash outflow for capex was €136.9 million

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Financial calendar / contact details

Financial calendar 2014	
March 10, 2014	Annual Report 2013
April 29, 2014	Report on the first quarter 2014
April 30, 2014	Annual General Meeting
August 7, 2014	Report on the first half year 2014
November 6, 2014	Report on the first nine months 2014

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