SGL Group’s Strategic Realignment
Commerzbank German Investment Seminar
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Transformation of SGL Group. Guided by clearly defined targets (Sept. 2014)

- Capital increase and refinancing of convertible bond created flexibility for restructuring and repositioning
- 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
How we want to achieve our targets.

Cornerstones of strategic realignment

1) **Right size**
   SGL2015 asset and portfolio restructuring

2) **Improve performance**
   SGL2015 organizational restructuring
   SGL Excellence savings
   BU streamlining
   Process excellence initiatives

3) **Generate shareholder return**
   Define selective growth areas

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ROCE* = EBITDA divided by capital employed
Result of our analysis. Dedicated business models for different market requirements

- **Accelerate growth mode by adapting processes and launching growth initiatives**
  - **Graphite Materials & Systems (GMS)**
    - Graphite specialties
    - Process technology
  - **Carbon Fibers & Materials (CFM)**
    - Carbon fibers
    - Composite materials
    - 51% SGL ACF

- **Implement commodity business model and prepare for strategic options with carve-out**
  - **Performance Products (PP)**
    - Graphite electrodes
    - Carbon electrodes
    - Cathodes
    - Furnace linings
Situation of the Business Unit PP/GE
Renewed deterioration in GE market conditions. Chinese steel exports at record high level

- Overall steel market situation today comparable to peak of financial crisis 2008/09 with crude steel utilization on historic low levels
- Chinese steel exports continue to rise, depressing steel production in most remaining regions of the world

![Graph showing steel exports from China from 2004 to 2015, with an increase from 2004 to 2015.](image)

China compensating lack of domestic (steel) demand by increasing exports

Source: Worldsteel.org, SGL Group estimates
Renewed deterioration in GE market conditions. Iron ore prices continue to favor BOF production route

• Iron ore/scrap price development continues to be unsupportive for EAF steel production as iron ore prices are expected to reach new lows
• Against this backdrop, graphite electrodes remain oversupplied, resulting in renewed pricing pressure

Further decline to below USD40/t
There is value in Business Unit PP (GE). Key strengths and long-term growth opportunities

**Key Strengths**

- Only graphite electrode producer with production footprint in all three major regions (NA/EU/Asia)
- Modern, efficient production facilities
- High-quality technical services
- Trusted partner for large global customers
- Leading competitive position

**Growth opportunities**

- Increased steel scrap availability will lead to significant long-term growth in graphite electrodes
- Steady demand growth in aluminum (5 % p.a.) will continue to drive demand for cathodes
- Furnace Linings and carbon electrodes as additional stable businesses
Path forward for PP (GE). Ensure a globally leading commodity business and prepare for all strategic options

- Further increase **competitiveness** through continued site optimizations
- Continue to drive **productivity improvements**, lower costs (different from GMS and CFM)
- **Optimize business model** and processes
- Adapt sales and marketing efforts to **market fundamentals**
- Prepare business to participate in anticipated **industry consolidation**, define and execute on strategic options

- **Technical carve-out to be completed by mid 2016, thus approx. six months earlier than initially planned**

- **Adaption of business model will further increase efficiency and competitiveness while flexibility for strategic options will drive value**
What SGL Group will look like in the future
For what SGL Group stands in the future.
Clear focus on global megatrends

- We specialize in high-performance materials based on carbon and graphite. We are among the innovation leaders in our markets.

- Our technologies enable global megatrends e.g. energy, mobility and digitalization.

- Our long-term goal is to be the development partner for fundamental solutions based on carbon fibers, graphite and composite materials worldwide.

Energy
Mobility
Digitalization
## Business Units GMS and CFM

Positioned for growth

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<tr>
<th>Meaningful exposure to <strong>end markets growing above GDP</strong> driven by global mega trends</th>
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<td>High share of <strong>customer-specific products, tailored applications</strong> and solutions</td>
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<td><strong>High potential for innovation</strong> since products typically serve as key enablers of innovation in target industries and/or provide vital products for their customers’ value chains</td>
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<td>In depth knowledge and control of the <strong>complete graphite and carbon value chain</strong> provides opportunity for <strong>product customization</strong></td>
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<td><strong>Specific application requirements</strong> allow to leverage knowledge and technology as competitive advantage</td>
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<td>Continued <strong>process and cost optimization</strong> as well as <strong>R&amp;D investments</strong> necessary</td>
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Target for Business Units GMS and CFM.
Profitable organic sales growth of 50% by 2020

Augmented by potential selective and accretive bolt-on acquisitions to complement our portfolio in terms of region, technology, etc.
**Business Units GMS and CFM.** Both serve a broad range of fast growing segments linked to global megatrends.

<table>
<thead>
<tr>
<th></th>
<th>Energy*</th>
<th>Digital Lifestyle</th>
<th>Mobility</th>
<th>Industry</th>
<th>Urbanization</th>
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<td>GMS anode materials</td>
<td>~10%*</td>
<td>7-9%</td>
<td>3-5%</td>
<td>3-4%</td>
<td>~2%</td>
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<tr>
<td>CFM carbon fibers/mat.</td>
<td>6-8%</td>
<td>Mobile 3C devices</td>
<td>Aerospace, Automotive, Pressure vessels</td>
<td>Industrial applications</td>
<td></td>
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<td>GMS high growth**</td>
<td>Solar, Polysilicon, LED</td>
<td>LED, Semiconductor</td>
<td>Industrial applications</td>
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<td>GMS medium growth***</td>
<td>Solar, Nuclear, Stationary energy storage, Heat Recovery, etc.</td>
<td>Sapphire glass</td>
<td>Exhaust gas recirculation, Brake assistant pumps</td>
<td>Engine technologies, etc.</td>
<td>Mechanical parts, Water management, etc.</td>
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**Growth opportunities**

- **Energy**: Stationary energy storage, Lithium ion batteries...
- **Digital Lifestyle**: Mobile 3C devices...
- **Mobility**: Aerospace, Automotive, Pressure vessels...
- **Industry**: Industrial applications...
- **Urbanization**: Mechanical parts, Water management, etc...

**Market potential 2015**: < € 50 mill. > € 50 mill. > € 100 mill.

* Approx. market growth, CAGR 2015-2020

* Energy efficiency, storage, reversal of energy generation and climate change (10% growth rate represents renewable energy);
** Product Groups: Isostatic, Fiber materials;  *** Product Groups: Extruded/Vibro, DieMolded, Expanded, Process technology
GMS: Development partner of customers.
Solutions based on carbon and graphite

- GMS is a development partner for high-quality graphite based technological solutions. We offer more than 10,000 products and solutions to over 6,000 customers in 35 industries.
- Our material is used where specific advantages of graphite is required. These include, e.g. heat and corrosion resistance and thermal and electrical conductivity.
- GMS is a "hidden champion". In many areas, GMS occupies technological leading positions, e.g. in energy saving, SiC coatings and sealing materials.

- **Energy storage**
  Largest manufacturer of synthetic graphite for the production of lithium-ion batteries.

- **SiC coatings**
  One of the leading suppliers in the semiconductor industry for graphite based solutions along the entire semiconductor production chain.

- **Sealing materials**
  World market leader in expanded graphite for companies in the chemical industry.
CFM: Specialist for Composites.
Solutions for the material mix of the future

- CFM is the expert for fibers and materials for composites. We are the only European supplier, active along the entire value chain.

- With the development of a new generation of industrial carbon fibers we became the technologically leading company. Such fibers offer the same or even higher qualities as other carbon fibers at lower manufacturing costs.

Value chain for lightweight construction materials based on carbon fibers

- Carbon fiber reinforced plastic is 50% lighter compared to aluminum and 70% to steel.
- Significantly lower fuel and kerosene consumption.
- Driver for global CO₂-reduction.
Business Units GMS and CFM are the basis of an innovation driven, high growth SGL Group. Summary

- The majority of the current investors of SGL Group are more excited about the innovation and growth businesses GMS and CFM.
- GMS and CFM materials and solutions enable several of the fastest growing economic trends including energy storage, digitalization, mobility and urbanization.
- Based on strong positions, GMS and CFM target to further improve their position in the value chain with particular emphasis on innovation, high value-add products, services and engineered solutions.
- Until 2020, GMS and CFM together aim to increase their sales revenue by 50% through profitable, organic growth – potentially augmented by selective and accretive bolt-on acquisitions.
- EBITDA level is expected to increase significantly, exceeding the minimum EBITDA ROCE margin of 15%.
- Organic growth can be financed by own operating cash flow.
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