Update on SGL Group’s strategic realignment
Agenda.

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Transaction details and update on strategic realignment
Today’s rights issue announcement. A key building block in creating a sustainable capital structure

- Issuance of 30 million new shares by way of subscription offer to the existing shareholders
- Expected gross proceeds of approximately €180 million based on subscription price of €6 per share
- Subscription ratio of 13 new shares for 40 old shares
- Major shareholders SKion and BWM have provided firm commitments to participate pro-rata to their shareholding
- Proceeds from the rights issue to be used to strengthen the capital structure and improve leverage ratios
- Closing & Settlement expected 15 December 2016
Clearly defined deleveraging building blocks. We are fully committed to reducing leverage.

**Expected cash proceeds from announced measures**

- Rights Issue: ~180
- Sale of GE division: >200
- Sale of CFL/CE division

**GE Sale**
- Agreed SPA with Showa Denko announced on 20 October 2016
- Enterprise Value of €350 million / cash proceeds of at least €200 million expected
- Closing expected in the first half of 2017

**CFL / CE Sale**
- Sales process will be continued early next year
- We are not starting from the beginning, as we had prepared for a sale of the entire former business unit PP
- During the PP disposal process, several parties expressed their interest in acquiring the CFL/CE business
- CFL/CE business is both cash and earnings profitable on a sustainable basis
- We expect to sign a contract for the sale of our CFL/CE business in the course of 2017
Creating a sustainable capital structure.

Approx. €180 million capital increase*

Strengthened financial position
- Gearing reduced to ~ 1.64**
- Equity ratio ~ 14.8%**

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

Core shareholder commitment
- Core shareholders (SKion, BMW): Full pro-rata participation in the capital increase

Proceeds will be used to strengthen capital structure, improve leverage ratios, and to enhance financial headroom of the Group

* Gross proceeds
** Source: Based on financial data as of September 30, 2016 and assuming net proceeds from the capital increase of €173.2 million
The transformed SGL Group.
We are delivering on our announced strategy.

- Divestiture of PP/GE business will enable the remaining SGL Group to focus its resources on the growth areas CFM and GMS.
- Focus on CFM and GMS will better balance markets and industries, and thus reduce volatility in our business.
- We lead in technologies and innovations benefiting from global megatrends such as mobility, energy, and digitization.
We are fully on track in achieving our strategic realignment.

1) **Right size**
   - Disposal Rotorblades
   - Disposal HITCO
   - Sale of GE (signing)
   - Sale of CFL/CE

   **Status**
   - ✓ ACHIEVED
   - ✓ ACHIEVED
   - ✓ ACHIEVED
   - 2017

2) **Improve performance**
   - SGL2015**
   - SGL Excellence
   - BU streamlining
   - Project CORE***
   - Strengthening capital structure

   **Status**
   - ✓ ACHIEVED
   - ✓ ONGOING
   - ✓ ACHIEVED
   - LAUNCHED
   - ONGOING

3) **Generate shareholder return with profitable growth**
   - CFM: CFM 2020+
   - GMS: Growth strategy 2020

   **Status**
   - LAUNCHED
   - LAUNCHED

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*EBITDA divided by capital employed; **In mid-2013, the Group implemented the SGL2015 cost savings program. Initially, based on actual costs in 2012, savings of approximately €150 million were targeted through the end of 2015. The Group increased its savings target gradually to €240 million to be achieved by the end of 2016. At the end of Q3/2016, the cumulative savings reached €228 million. Since the cumulative savings target of €240 million includes the incurred losses of €15 million in 2012 of the now disposed HITCO (aerostructures) and SGL Rotec (rotor blades), the target has now been reached. ***Savings target of €25 million is currently expected to be achieved by the end of 2018.
The transformed SGL Group
The transformed SGL Group. A compelling investment story

- Globally leading high tech carbon and graphite based solutions provider with leading positions in attractive and fast growing markets
- Broad product portfolio and excellent material competence driving growing share of customer-specific tailored solutions
- Diversified customer base and long-standing relationships with industry leaders
- Strong competitive position resulting from high barriers to entry and innovation leadership
- High earnings improvement potential post strategic realignment based on sound capital structure and successfully implemented restructuring
- Highly-qualified management team with extensive industry experience
The transformed SGL Group. Enabling megatrends with high tech carbon and graphite based solutions

**Group structure**

1. Composites – Fibers & Materials (CFM)
   - CFM €327m 42%
   - €0.8bn

2. Graphite Materials & Systems (GMS)
   - GMS €454m 58%
   - €0.8bn

**Sales split (2015A)**

**Continued operations: €0.8bn**

**Discontinued operations: €0.5bn**

- **To be sold in 2017**
  - CFL/CE €159m 30%
  - GE €375m 70%

- **Sold to Showa Denko (Signed)**
Carbon and graphite. Materials with extraordinary properties provide solutions for megatrends

- Business units focus on end markets that are **attractive** and **fast growing** due to **underlying global megatrends** (energy, mobility and digitization)
- High share of **customer-specific products, tailored applications** and **solutions**
- We are among the **innovation leaders** in our markets due to our **high performance materials competence** based on **carbon and graphite**
- In-depth knowledge and control of the complete **graphite** and **carbon fiber value chain** provides opportunities for **product customization**
- **Forward integration** into finishing technologies (GMS) and composite materials/components (CFM) is key for **differentiation**, provides a **competitive advantage**, and **enables participation in market growth**
- Based on our **materials competence, technology** and **innovative strength** we develop products which
  - serve as **key enablers of innovation** in target industries and/or
  - provide **vital products** for our **customers’ value chains**
- Our long-term goal is to be the **development partner** for **fundamental solutions** based on **carbon fibers**, **graphite** and **composite materials** worldwide
### Solutions for global megatrends

We serve a broad range of fast growing industries

<table>
<thead>
<tr>
<th>Expected market growth</th>
<th>Energy(^{(1)})</th>
<th>Digital Lifestyle</th>
<th>Mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFM</td>
<td>Wind energy, pressure vessels</td>
<td>Mobile 3C devices</td>
<td>Aerospace, automotive, pressure vessels</td>
</tr>
<tr>
<td>Battery materials</td>
<td>Stationary energy storage</td>
<td></td>
<td>Lithium ion batteries</td>
</tr>
<tr>
<td>GMS high growth product groups(^{(5)})</td>
<td>Solar, polysilicon, LED nuclear, stationary energy storage, heat recovery, etc.</td>
<td>LED, semiconductor</td>
<td>Automotive</td>
</tr>
<tr>
<td>GMS medium growth product groups(^{(6)})</td>
<td></td>
<td>Sapphire glass</td>
<td></td>
</tr>
</tbody>
</table>

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

**Expected SGL growth**

1. Carbon fibers/materials/components
   - >10\(^{(4)}\)%
2. Battery materials
   - 6-8\(^{(4)}\)%
3. GMS high growth product groups\(^{(5)}\)
   - 6-8\(^{(4)}\)%
4. GMS medium growth product groups\(^{(6)}\)
   - 3-6\(^{(4)}\)%

**Approx. market growth, CAGR 2015-2020**

- 1\(^{(1)}\): Energy efficiency, storage, reversal of energy generation and climate change (10% growth rate represents renewable energy Source: BP Energy Outlook, own estimates)
- 2\(^{(2)}\): CCeV, Technavio, GreenTech Media, Siemens (3) CCeV, Yole Développement, Avicenne Energy
- 3\(^{(3)}\): Company’s own estimates
- 4\(^{(4)}\): Product Groups: Isostatic, Fiber materials
- 5\(^{(5)}\): Product Groups: Extruded/Vibro, DieMolded, Expanded, Process technology

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CFM: Specialist for Composites. Solutions for the material mix of the future

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

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

- Key drivers for growth: Automotive, aerospace and wind energy.

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 CO$_2$-reduction.
CFM: Growth driver Automotive. Transfer existing know how industry wide

- Automobile manufacturers have to design lighter cars, driven by global regulations limiting CO\textsubscript{2} emissions and the resulting trend towards alternative drive trains
  - In Europe, car manufacturers could be required to reduce the average CO\textsubscript{2} emissions of their car fleet to below 75g/km until 2025 – this can only be done with lightweight design
  - The weight of hydrogen tanks or lithium ion batteries can be offset with lighter materials
- CFM has an innovation lead of several years in lightweight technologies. Our competencies were dedicated to the BMW Group, but are now being offered to the entire industry
- “Market maker approach”: OEMs expect from suppliers capability along the entire value chain including application and engineering know how – we can provide it!

Growth opportunities for SGL Group

- Extend offering of innovative fiber materials and composites as showcased by the “Carbon Core” body of the new BMW 7 series where composites were used for the first time in large scale automotive production
- Investment into the Lightweight and Applications Center in Meitingen (Germany), e.g. for the simulation and production of prototypes and small scale series
- New development projects with non-German car makers
CFM: Key differentiator in automotive. Focus on industrializing carbon fiber usage

- Key to **increased usage of carbon fiber in automotive** is the ability to produce in **serial scale** and to provide **cost competitiveness** to other materials taking into account the substantial benefits of composite materials
- Name of the game is **automation**
  - We command a carbon fiber technology which is **ideally suited for use in automated processes**
  - We possess **technologies for automated processing of materials and production of components**

### Automated braiding

### New hybrid materials manufactured with automated production systems

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Materials</td>
<td>Continuous</td>
</tr>
<tr>
<td>2. Prepreg Production</td>
<td>Continuous</td>
</tr>
<tr>
<td>3. Laminate Layup</td>
<td>Automated</td>
</tr>
<tr>
<td>4. Laminate layup</td>
<td>Automated</td>
</tr>
<tr>
<td>5. Forming &amp; Pressing</td>
<td>Automated</td>
</tr>
<tr>
<td>Final product</td>
<td></td>
</tr>
</tbody>
</table>

Cycle times of < 50 seconds enable large series production (e.g. 150,000 pieces/a)
CFM: Growth driver Aerospace. Exploit material competence in aviation sector

- CFM will transfer its lightweight competence from the automotive industry increasingly into the aviation sector with a new generation of industrial carbon fibers
  - Our heavy tow carbon fibers provide better performance and meet the same high quality standards – at lower production costs
  - The surface of our carbon fibers bonds exceptionally well with specific resin materials
- These composite materials show particular potential for secondary structures such as floor panels, cowlings, and landing gear doors

Growth opportunities for SGL

- Dedicated development and marketing activities for the aviation industry, particularly for commercial aircrafts
- Serial delivery to Airbus for its A350 model
CFM: Growth driver Wind Energy. Establish our carbon fiber and composite materials as state-of-the-art

- CFM will increasingly qualify its new generation of industrial carbon fibers based on own precursor into the wind energy industry
  - Our industrial grade heavy tow fiber is particularly suited for cost effective, automated processes
- Participate in expected strong market growth as one of the leading players in Europe for glass and carbon fiber based composite materials for the wind energy industry

Growth opportunities for SGL

- Regular deliveries of composite materials to leading rotor blade producers since 2007
- New: Qualification of our 50k carbon fiber with leading wind turbine producers
GMS: Leading provider of engineered graphite solutions. Development partner for our customers

- GMS is the development partner – “enabler” – for our customers with graphite based advanced technological solutions
- Offering products and solutions to more than 35 industries, the business unit is grounded on a broad base. GMS has leading market positions in many areas
- GMS benefits from the megatrends energy supply and digitization. GMS will continue to widen its technological portfolio and capture new regions
- Key drivers for growth: Lithium-ion batteries, LEDs, the solar and semiconductor industries

Selected applications

- Energy storage
- Ceramic coatings
- Graphite foil
- Sealing materials
GMS: Growth driver energy supply.
Expand leading position

- Our graphite solutions are used in **energy applications**. We participate in the rising usage of new battery generations
  - Our graphite anode materials are employed in **lithium ion batteries**, among others for **electric cars**. Demand for alternative drive trains is expected to grow strongly over the next years. The lithium ion battery market alone is expected to grow more than 12 % p.a.
- GMS is a globally leading development partner for **the solar and photovoltaic industry**
  - Our isostatic graphite is required in the value chain of the photovoltaic industry. Dynamic growth continues to be expected for this industry – approx. 12% for 2016\(^{(1)}\)

**Growth opportunities for SGL**

- Development of **next generation synthetic graphite/silicon anode materials** - higher storage capacity to increase range of electric cars
- Exploiting the **expanded isostatic graphite production center** (completed in 2014) in Bonn

Source: Avicenne Energy Analysis
\(^{(1)}\) IHS
GMS: Growth driver Digitization.
LED and semiconductor industries drive demand

- GMS specializes in **surface coating technologies**. These are required in equipment for manufacturing polysilicon, LEDs, and semiconductors
  - Polysilicon demand for the semiconductor industry is expected to grow 11% per annum until 2017\(^{(1)}\)
  - Experts expect annual growth of 10% for the LED industry due to the strong demand for lighting applications\(^{(1)}\)
- Due to increasing requirements regarding size, quality, and supplier reliability, GMS is a **preferred supplier of key components** for new generation polysilicon production equipment

**Growth opportunities for SGL**

- **Close cooperation** with our customers in the further development of purified surface coatings for the LED and the semiconductor industries
- Expanding **coating technologies and capacities**
- **Strengthening regional and application competencies**

Source: World Semiconductor Trade Statistics
\(^{(1)}\) IHS, LED Insight
Our way forward
Target for GMS and CFM. Profitable sales growth of 50%

Augmented by potential selective and accretive bolt on acquisitions to complement our portfolio in terms of region, technology, etc.
ROCE. Remains key management principle for managing the business

In 2014, we, the new Board of Management, introduced ROCE as new key management principle replacing ROS

We wanted to be held accountable for our stated targets and goals

As a result we implemented the ROCE target in all senior management layers, aligning their incentive system with ours

We started reporting ROCE on Group and BU levels on a quarterly basis, so that our progress can be tracked

While we are not yet where we want to be, we have made substantial progress toward our targeted ROCE ≥ 15%*

* ROCE defined as EBITDA/Capital employed
Financial targets confirmed. We will continue to drive the transformation and the business forward

- **Realignment**
  - Sale of business unit PP
  - Project CORE
  - Deleveraging
  - Positive free cash flow*
  - Positive net result

- **Profitable growth**
  - Focus on fast growing markets
  - Innovation leader in core markets
  - Partner of choice for innovative material solutions

- **Financial targets**
  - Net debt***/EBITDA < 2.5
  - Gearing ~ 0.5
  - Equity ratio > 30%
  - ROCE ≥ 15%***

We believe to be able to achieve our financial targets in the medium to long term, with the announced realignment strategy and expected profitable growth in our core business GMS and CFM

* Excluding disposal proceeds
** Excluding Pensions
*** ROCE defined as EBITDA/Capital employed
Thank you.
Backup
Key industries served. Portfolio balanced and diversified between markets and industries.

**Composites – Fibers & Materials (CFM)**

- Automotive: 28%
- Other consumer goods: 33%
- Energy: 15%
- Aerospace & Defense: 3%
- Other industrial Applications: 21%

**Graphite Materials & Systems (GMS)**

- Automotive & transport: 5%
- Tool manufacturing: 6%
- Semi-conductors: 8%
- Metallurgical: 8%
- Chemicals: 29%
- Energy: 26%
- High temperature applications: 4%
- Other industrial applications: 14%

Source: SGL Carbon SE Annual Report 2015
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