

Broad Base. Best Solutions.



SGL GROUP
THE CARBON COMPANY

Investor & Analyst Meeting & Conference Call

Frankfurt am Main
March 23, 2016

Agenda.

1. Review of the fiscal year 2015 – Jürgen Köhler

2. Financials 2015

3. Outlook 2016

4. Mid term strategy

Review of the fiscal year 2015.

Achievement of key milestones



- We have successfully completed the **cost savings program SGL2015**, which was introduced in 2013.
- We have **improved our maturity profile** with the refinancing of the convertible bond due 2016.
- We have completed the **divestment of HITCO's aerostructures** business.
- We have accelerated the **carve out of Business Unit PP** and the adaption of the business model for graphite electrodes (GE) to commodity markets.
- We have developed and initiated **growth initiatives for the Business Units CFM and GMS** until 2020.

We have initiated the strategic realignment of SGL Group in 2015 !

Summary of key figures.

Non-recurring effects heavily weigh on earnings



Sales at €1.3 billion close to prior year level

EBIT before non-recurring effects improves to €33 million, corresponding to **ROCE_{EBIT}** of 2.4%
ROCE_{EBITDA} rises to 9%

- **CFM** achieves operational turnaround
- **GMS** contributes positively to Group EBIT
- **PP** below prior year EBIT level despite improvement in first three quarters

Net result at minus €295 million due to **non-recurring effects related to GE and HITCO**.
Excluding GE and HITCO related non-recurring effects **net loss improved to minus €47 million**

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Carbon Fibers & Materials. Positive earnings contribution for the first time



in € million	2015	2014
Sales revenue	327.3	296.4
EBITDA before non-recurring charges*	30.0	-8.8
EBIT before non-recurring charges*	9.3	-22.5
EBIT-Margin before non-recurring charges* (in %)	2.8	-7.6
EBIT	8.8	-33.0

- **Sales revenue** increased by 10% (currency adjusted by 4%) due to
 - higher sales from automotive and wind customers
 - retroactive inclusion of HITCO’s materials business (low double digit million € sales)
 - partially offset by lower sales from textile acrylic fibers, where pricing is based on acrylonitrile/crude oil price development (no EBIT impact)
- Recurring **EBIT** with significant turnaround
 - Low single digit million € profit contribution from HITCO materials business offset by retroactive introduction of corporate charges now that CFM is sustainably profitable
 - Higher volumes and thus better capacity utilization in our carbon fiber facilities
 - Completion of ramp up and efficiency improvements at SGL ACF (joint ventures with BMW Group)
- **SGL2015 savings** €4.1 million, thereof €2.1 million from SGL Excellence

Graphite Materials & Systems. Big ticket order in prior year impacts sales and EBIT development



in € million	2015	2014
Sales revenue	453.5	440.4
EBITDA before non-recurring charges*	56.6	61.5
EBIT before non-recurring charges*	34.1	40.0
EBIT-Margin before non-recurring charges* (in %)	7.5	9.1
EBIT	28.9	38.8

- **Sales revenue** up 3% (currency adjusted down 4%)
 - Main reason for currency adjusted sales decline was non-recurring big ticket order from electronics industry in prior year
 - Partially compensated by higher sales from solar, semiconductor and LED industries and in our process technology business
 - Demand for graphite (anode) materials for lithium ion battery industry continued at healthy level
- Recurring **EBIT** declined 15% primarily due to lower capacity utilization from non-recurrence of prior year big ticket order
- **SGL2015 savings** €14.1 million, thereof €8.2 million from SGL Excellence

Performance Products. Impacted by price and volume decline in graphite electrodes

in € million	2015	2014
Sales revenue	533.4	588.2
EBITDA before non-recurring charges*	57.6	65.1
EBIT before non-recurring charges*	19.4	26.0
EBIT-Margin before non-recurring charges* (in %)	3.6	4.4
EBIT	-132.5	5.6

- **Sales revenue** (-9%, currency adjusted -17%) and recurring EBIT (-25%) impacted by volume and price decline in graphite electrodes which more than offset improvement in remaining PP businesses (cathodes, furnace linings and carbon electrodes)
- However, EBIT in Q1-Q3/2015 improved YoY due to savings related to raw materials and SGL2015 – renewed steel market weakness in Q4/2015 dragged full year EBIT down to below prior year level
- Renewed weakness in steel markets led to significant non-recurring charges:
 - €73 million restructuring charges of which €63 million relate to recently announced closure of Frankfurt-Griesheim graphite electrode production facility
 - €79 million impairment losses on graphite electrode fixed and other intangible assets
- **SGL2015 savings** €20.2 million, thereof €8.1 million from SGL Excellence

T&I and Corporate. Strong improvement mainly due to SGL2015



in € million	2015	2014
Sales revenue	8.7	10.7
EBITDA before non-recurring charges*	-23.1	-33.7
EBIT before non-recurring charges*	-30.2	-40.8
EBIT	-33.5	-59.9

- Recurring **EBIT** improved by 25%
 - despite unchanged T&I costs
 - successful implementation of SGL2015 measures in the corporate functions
 - some positive one-off effects from disposal of non operational assets
- **SGL2015 savings** €6.6 million

Group. Improved operational performance overshadowed by high non-recurring effects



in € million	2015	2014
Sales revenue	1,322.9	1,335.6
EBITDA before non-recurring charges	121.1	84.1
EBIT before non-recurring charges	32.6	2.7
Non-recurring charges	-160.9	-51.2
EBIT	-128.3	-48.5
Results from investments accounted for At-Equity	0.5	-6.4
Net financing result	-54.3	-49.5
Results from continuing operations before income taxes	-182.1	-104.4
Income tax expense and non controlling interests	-16.8	-23.4
Discontinued operations	-96.1	-119.2
Consolidated net result attributable to the shareholders of the parent company	-295.0	-247.0

- **Cost savings** of €45 million from SGL2015 in 2015, of which €18 million attributable to SGL Excellence
- Turnaround in result from **investments accounted for At-Equity** mainly due to Brembo SGL
- **Net financing result** 2014 reflects a €10 million non recurring gain from the imputed interest component of the 2009/2016 convertible bond and net financing result 2015 includes a €4 million non recurring charge relating to the refinancing of the 2009/2016 convertible bond – on a comparable basis, net financing result improved by 7 % to €50 million
- **Net result** includes loss from discontinued operations totaling €96 million relating to HITCO

Analysis of non-recurring effects. Excluding one-off effects related to GE and HITCO net loss only €47 million



in € million	2015	2014
EBIT before non-recurring charges	32.6	2.7
Non-recurring charges	-160.9	-51.2
- thereof restructuring (€73 million related GE measures, e.g. closure Griesheim)	-82.0	-40.6
- thereof impairment (in 2015 related entirely to graphite electrodes)	-78.9	-10.6
Net result continuing activities	-198.9	-127.8
Net result discontinued activities (HITCO)	-96.1	-119.2
- thereof operational losses	-30.6	-36.7
- thereof impairment and disposal losses	-65.5	-82.5
Consolidated net result attributable to the shareholders of the parent company	-295.0	-247.0

- **GE related measures** (mainly the **closure** of the **production facility** in Frankfurt-Griesheim, Germany) and the **GE fixed and other intangible asset impairment** lead to €152 million of **non-recurring charges** in 2015
- **Net result discontinued activities** of €96 million relates to **HITCO**, which was sold in December 2015
- Therefore, of the total net loss of €295 million in 2015, €248 million alone relate to a business that has been sold, and a business, where we are currently exploring “strategic options”
- In other words, **excluding HITCO and the graphite electrodes business**, we would have been able to significantly reduce our **net loss to €47 million**, bringing us a big step forward to positive net results

Free cash flow. Positive excluding non recurring effects

Continuing operations in € million*	2015	2014
Cash flow from operating activities	-11.5	17.4
Capital expenditures in property, plant and equipment and intangible assets	-74.9	-132.6
- thereof SGL ACF	-10.8	-70.0
- thereof SGL Group excluding SGL ACF	-64.1	-62.6
Cash used in other investing activities*	11.5	-6.1
Free cash flow	-74.9	121.3

"Recurring" free cash flow

close to break even:

Reported free cash flow

Unwinding of USD hedges (related to HITCO)

Tax settlement

SGL 2015 cash out

"Recurring" free cash flow

-75 million

35 million

35 million

13 million

8 million

* Payments for capital contributions in investments accounted for At-Equity and other financial assets, proceeds from sale of intangible assets and property, plant and equipment

** Free cash flow from discontinued operations (HITCO) amounted to minus €51.3 million in 2015 and minus €27.4 million in 2014

Balance sheet. More than sufficient liquidity despite deteriorated ratios

in € million	31.12.2015	31.12.2014
Total assets	1,856.1	2,170.3
Equity ratio (in %)	15.6	26.2
Total liquidity	250.8	347.5
Net financial debt	534.2	389.9
Gearing (net debt/equity)	1.85	0.69

- **Total assets** declined mainly due to reduced liquidity, the divestment of assets held for sale (HITCO) and impairment losses (GE)
- **Equity ratio** declined mainly due to the net loss of €295 million
- Higher **net financial debt** reflects mainly the reduced liquidity and, to a lesser extent, the new convertible bond 2015/2020 in an aggregate amount of €167 million (which replaced the 2009/2016 convertible bond with a remaining amount of €134 million) and higher debt at SGL ACF
- **Liquidity** at end 2015 sufficient to more than cover expected operational cash outflow in 2016
- €200 million **syndicated loan** available and undrawn
- Thanks to the **successful refinancing** of the 2009/2016 convertible bond in September 2015, no **maturities** of any of our **financial debt** instruments until **January 2018** (convertible bond 2012/2018)

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Composites – Fibers & Materials.

New name for a new, integrated strategy



- As of January 1, 2016, **all carbon fiber related activities**, i.e.
 - former BU Carbon Fibers & Composite Materials
 - our shares in SGL ACF (joint ventures with BMW Group)
 - our shares in CFM related At-equity joint ventures - mainly Ceramic Brake Discs (Brembo SGL) and Automotive Composites (Benteler SGL)

were combined into **one business unit under one management**

- To reflect the new strategy of an integrated, composite materials oriented approach, the name was changed from Carbon Fibers & Materials to **Composites – Fibers & Materials**
- From 2016 on, **EBIT of BU CFM** will also include the materials business of former HITCO and our share in the At-equity result of the CFM joint ventures (consisting mainly of Ceramic Brake Discs and Automotive Composites)

Business unit outlook 2016. EBIT improvements in CFM and GMS will be overshadowed by deterioration in GE



- **Composites – Fibers & Materials (CFM):** Stable sales and strong EBIT* improvement. Higher demand from automotive industry offset by crude oil based pricing of textile acrylic fibers business (no EBIT impact). EBIT* improvement based on higher volumes and cost savings
- **Graphite Materials & Systems (GMS):** Slight increase in sales and EBIT*. Sales to grow due to higher demand from solar, semiconductor and LED industries. Continued high demand from lithium ion battery industry. EBIT* to increase more than proportionately to sales due to anticipated better capacity utilization and cost savings. $ROCE_{EBITDA}$ should be close to our min. 15% target again
- **Performance Products (PP):** Substantial decrease in sales and negative EBIT* contribution from graphite electrodes due to continued pricing pressure. Cathodes/furnace linings/carbon electrodes with continued positive performance. Overall PP sales with low double digit percentage decline and negative EBIT* contribution in mid double digit million € amount
- **T&I and Corporate:** Slightly higher expenses due to non recurrence of positive one off effects in prior year

*before non-recurring effects

Group outlook 2016. Group KPIs will be heavily impacted by GE performance



- Full year **Group sales** slightly lower due to substantial decline in GE prices
- **Group recurring EBITDA* and EBIT***: substantial decrease solely due to negative EBIT* contribution from GE
- **Net result** to improve due to lower restructuring and other non recurring expenses but remaining in negative territory
- **Capex** substantially below prior year level and thus again below level of D&A level of approx. €83 million
- **Free cash flow**: expected on prior year level
 - lower operational result and higher restructuring cash out (closure of GE production site in Frankfurt-Griesheim announced in February 2016)
 - compensated by lower cash out for discontinued activities (HITCO)
- **ROCE** to deteriorate in line with EBIT and EBITDA development

2016 negative free cash flow more than proportionately skewed to H1

- Q1 typically shows a high working capital buildup plus scheduled payment to Avcorp (buyer of HITCO's aerostructure activities) in January 2016
- Operationally, free cash flow will start improving from Q2 onwards – partially offset by expected restructuring cash out related to Frankfurt-Griesheim site closure

Almost the entire 2016 negative free cash flow will be effective in H1 – H2 should be more or less cash neutral

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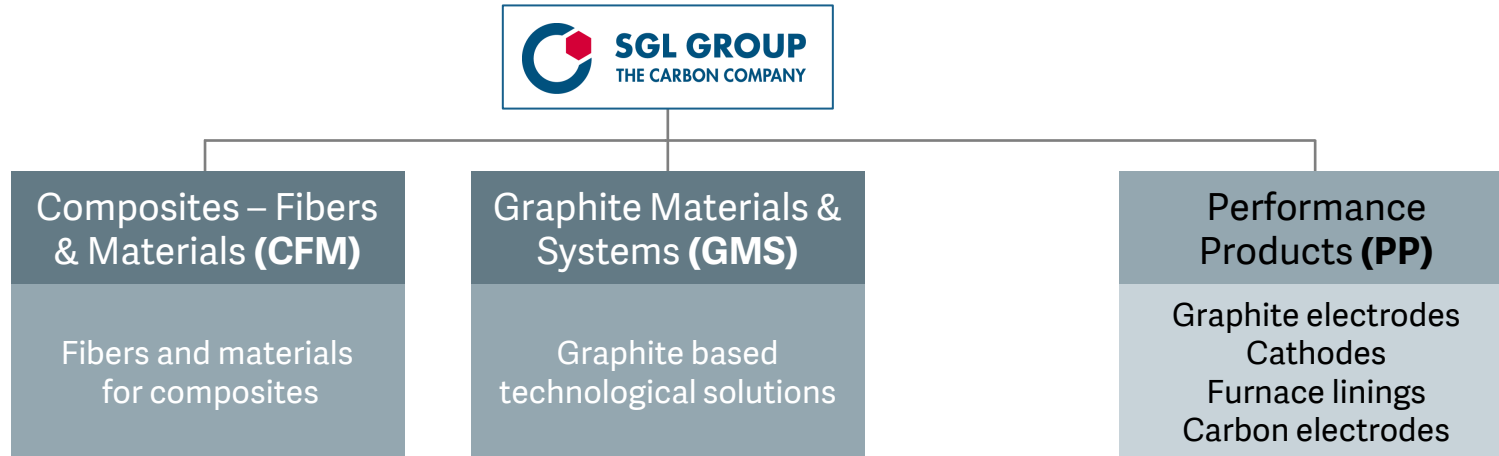
2. Financials 2015

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4. Mid term strategy – Jürgen Köhler

Strategic Repositioning.

Foundation for sustainable profitable growth



- We want to organically grow our **sales** by more than 50% to above €1.1 billion until 2020 with CFM and GMS.
- Simultaneously, **EBITDA** will grow more than proportionately to sales with a **ROCE** of at least 15%.
- **Legal separation of PP** is the prerequisite to flexibly exploit all strategic options.
- At the same time we are **adjusting** the **GE business model** to commodity markets.

PP: Steel environment continues to be difficult.

Recent stabilization but no near term recovery

- **Chinese steel overcapacities** exported overseas substantially **reduced electric arc steel production** in rest of world.
- However, **Chinese exports recently seem to be stabilizing** at high year end 2015 levels.
- EU, USA, and other countries have introduced import duties against Chinese steel and are exploring further measures.
- Chinese government planning to shut down 100-150 million tons of old steel capacity in next five years.

Chinese steel exports
[in million tons]



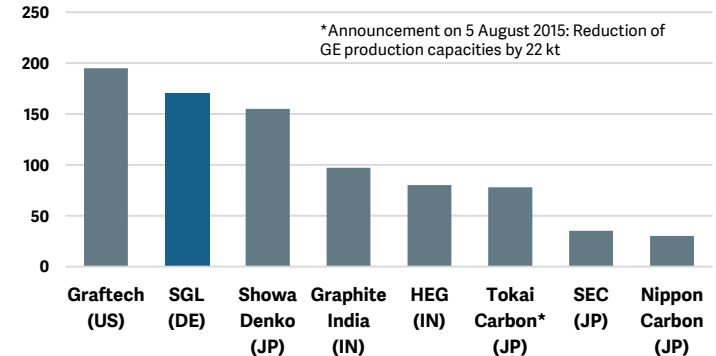
PP: Current global steel situation problematic for GE.

However, long-term, there is value in the business

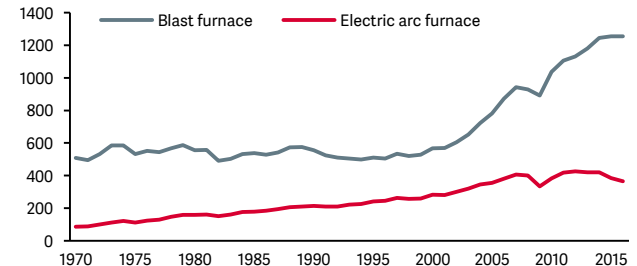


- Graphite electrodes are essential for the production of electric steel (steel scrap recycling).
- GE business of SGL Group is a **global market leader**
- Only producer with a **manufacturing footprint** on the three major continents.
- Thanks to this leading market position and the adjusted business model, GE business of SGL Group will more than proportionately benefit from the **recovery in electric steel** markets.
- **Closure of Frankfurt-Griesheim site** and **adapting the business model** to yield nearly €30 million savings per annum from 2018 onwards – of which approx. half will already be effective in 2016
- Increased steel scrap availability will lead to **significant long-term growth in graphite electrodes**.
- We will complete the legal separation of PP by mid 2016 – the prerequisite to **flexibly execute on the best strategic option**.

Market Position SGL Group in GE
[2015 in kt, UHP and HP, Status March 2016]



Global Steel production [in million t]

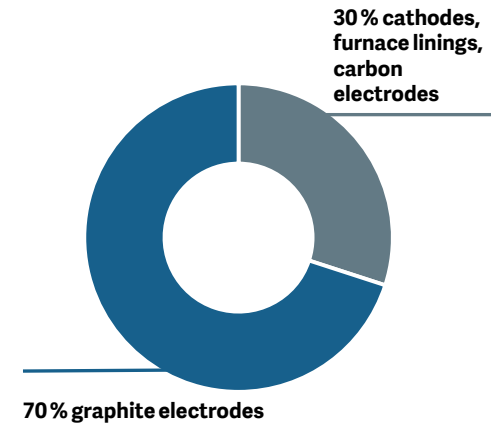


PP: Broad product portfolio.

Carve out within PP carve out

- Aside from graphite electrodes, PP also produces **cathodes**, **furnace linings** and **carbon electrodes**.
 - **Cathodes** are required in aluminum production (investment good). Thanks to its low weight, demand for this lightweight metal is continuously growing for energy efficient applications. With its broad product portfolio, SGL Group can equip every aluminum smelter in the world. Cathodes is a profitable business.
 - **Furnace linings** are used in blast furnaces for primary steel production (investment good) and is a solid business.
 - **Carbon electrodes** (consumable) are used in melting processes of other metallurgical applications (silicon metal, phosphorous). This business also delivers positive returns.
- To **maximize** our **options** for these profitable businesses, we have carved these out into a legally separate company within PP.

PP sales split 2015



Status of the carve out project.

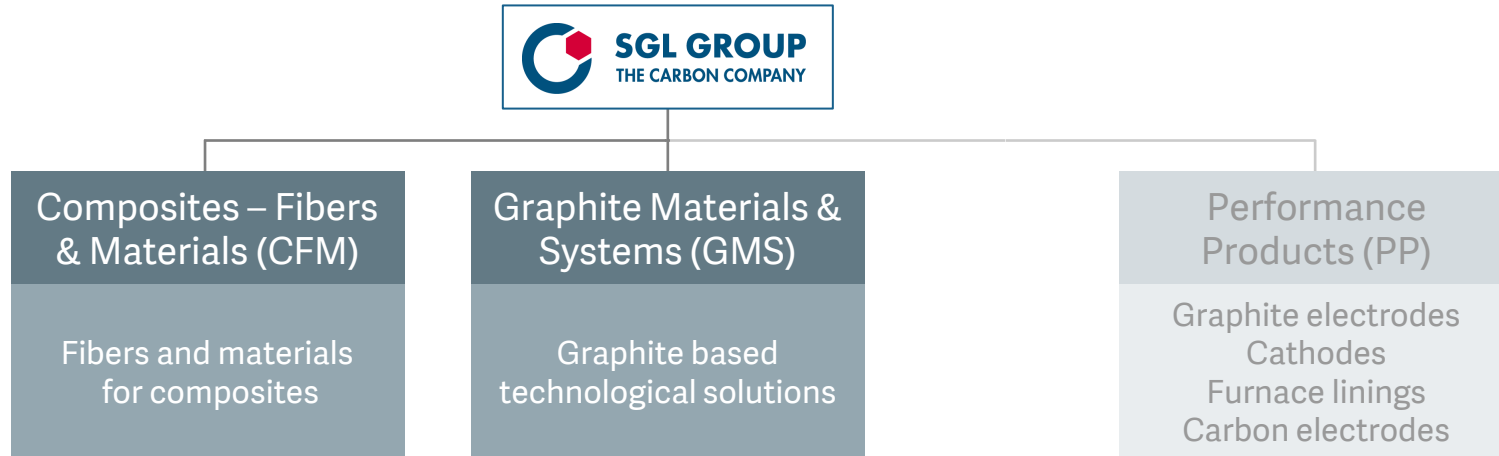
We are well within our accelerated schedule



- Last autumn we announced that we want to accelerate the PP carve out.
- Today, we already have the **legal and organizational concepts** for the new structure of PP.
- The agreement on the **reconciliation of interests** (“Interessenausgleich”) was settled on 10 March 2016 with the workers’ representatives. This is a mandatory requirement for the transfer of employees to the new legal entity.
- In the next weeks, approx. **1900 employees globally will be transferred** into the new PP legal entity.
- We have set up a project group to analyze **potential strategic options**.
 - We have mandated two investment banks, one legal advisor and an auditor to support the process
 - First discussions with both strategic and financial interested parties have taken place
 - “Teaser” has been distributed to interested parties

Growth strategy of SGL Group.

Build on competencies of CFM and GMS

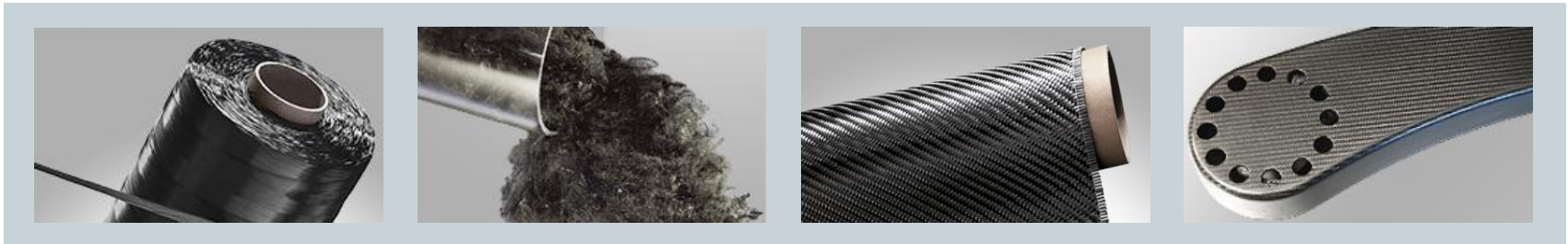


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- **Legal separation of PP** is the prerequisite to flexibly exploit all strategic options.
- At the same time we are **adjusting** the **GE business model** to commodity markets.

CFM: Composite Specialist.

Solutions for future material mixes

- CFM is an **innovation leader** for composites and possesses comprehensive competence for fibers, materials and applications.
- CFM's materials are stronger and lighter. They save energy where mass is in motion. As a **lightweight specialist**, CFM benefits from the **megatrends mobility and CO₂ reduction**.
- CFM of SGL Group is the only European company that covers the **entire carbon fiber value chain**. This allows us to control quality and costs.



CFM Example: Strong position in the automotive industry. Transfer existing know how industry wide

- Automobile manufacturers have to design **lighter cars**, driven by global regulations limiting CO₂ emissions and the resulting trend towards alternative drive trains.
 - In Europe, car manufacturers could be required to reduce the average **CO₂ emissions** of their car fleet to below 75g/km until 2025 – this can only be done with lightweight construction.
 - 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, which until now were dedicated to BMW Group, can now be offered to the entire industry.

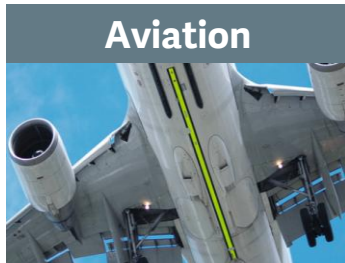


- **Extend offering of innovative fiber materials and composites** as showcased by the “Carbon Core” body of the new BMW 7 series where composites were used for the first time in **large scale automotive production**
- **Investment into the Lightweight and Applications Center in Meitingen (Germany)**,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

CFM Example: Expansion into other industries.

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 high tow carbon fibers provide better performance at the same high quality standard – at **lower production costs**.
 - The **surface of our carbon fibers bonds** exceptionally well with other composite materials.
- These materials show particular potential for **secondary structures** such as floor panels, cowlings, and landing gear doors.



- **Dedicated development and marketing activities** for the aviation industry, particularly for commercial aircrafts
- **Serial delivery** to Airbus for its A350 model

GMS: Development partner for our customers.

Graphite based solutions



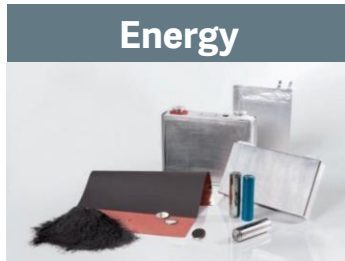
- GMS is the **development partner – “enabler”** – of our customers for graphite based advanced technological solutions.
- Offering products and solutions to **more than 35 industries**, the business unit is grounded on a broad base. GMS has **leading market positions** in many areas, providing stability.
- GMS benefits from the **megatrends energy supply and digitalization**. GMS will continue to widen its technological portfolio and capture new regions.



GMS Example: Energy supply as growth driver.

Reinforcement of 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**. The market for alternative drive trains will grow strongly over the next years.
- 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.*



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

GMS Example: Digitization and graphite.

LED and semiconductor industry 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.*
 - Industry service provider „LED Insight“ expects annual growth of 10% for the LED industry due to the strong demand for lighting applications.
- Due to increasing requirements regarding size, quality, and supplier reliability, GMS is a **dependable supplier of key components** for new generation polysilicon production equipment.



- **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 competences**

*Sources: IHS, World Semiconductor Trade Statistics

Summary: The course is set.

We are pursuing a clear strategy



- With the PP carve out we are creating the **prerequisite for strategic options** and a sustainable future for SGL Group and the business unit.
- The carve out of the profitable business with cathodes, furnace linings, and carbon electrodes in a separate legal entity within PP creates additional options.
- With our focus on CFM and GMS, our **portfolio is better balanced** between markets and industries, thus **reducing the volatility in our business**.
- We command the **technologies and innovations** to benefit from the global megatrends mobility, energy, and digitalization.
- SGL Group fulfills all requirements to achieve the targets for 2020: **strong market positions, leading technologies, and committed employees**.

Implementation is of highest priority in 2016 !

Thank you for your
attention!

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