

## **SGL Group signed agreement to sell its graphite electrode business to Showa Denko (SDK)**

- Enterprise value of 350 million euros agreed – translating into cash proceeds of at least 200 million euros
- Transaction expected to close in the first half of 2017
- Dr. Jürgen Köhler, CEO of SGL Group: “Today’s transaction is an important milestone in our strategic realignment. We are pleased that we have found the ideal new owner for our graphite electrodes business. We will now be focusing our resources fully on our growth areas”
- Hideo Ichikawa, President and CEO of Showa Denko: “Through this transaction, SDK aims to become a truly global leader in the graphite electrodes industry”
- In order to maximize proceeds, the cathodes, furnace linings, and carbon electrode business (CFL/CE), which is also part of the business unit Performance Products (PP), will be sold separately in 2017

*Wiesbaden, October 20, 2016.* Today, SGL Group signed the sale and purchase agreement to sell its graphite electrode (GE) business to Showa Denko (Japan). The two parties have agreed on an enterprise value (cash and debt free) of 350 million euros, which, after deduction of standard debt-like items (mainly pension and restructuring provisions) results in cash proceeds of at least 200 million euros. The final proceeds will be determined based on the balance sheets at closing. The transaction is subject to customary closing conditions, relating in particular to antitrust approvals. Closing is expected in the first half of 2017.

“Showa Denko is the ideal new owner for our graphite electrodes business. Both companies enjoy a high reputation in the market and assign great importance to the quality of their products. The combined business will be well positioned to serve customers on a global basis”, said Dr. Jürgen Köhler, CEO of SGL Group. “The transaction is an important milestone for our strategic realignment. We will now be focusing our resources fully on our growth areas Composites - Fibers & Materials (CFM) and Graphite Materials & Systems (GMS) taking advantage of three megatrends mobility, energy supply, and digitization.”

“Showa Denko and the graphite electrodes business of SGL are truly well-matched”, says Hideo Ichikawa, President and CEO of Showa Denko. “Through this transaction, SDK aims to become a truly global leader in graphite electrode industry by establishing a cost competitive platform

in all three key regions, Europe, the U.S., and Asia, and by producing the highest quality graphite electrode globally.”

Showa Denko is one of Japan’s leading chemical companies. In the fiscal year 2015, Showa Denko generated sales of 781 billion yen (6.8 billion euros) and an operating income of 34 billion yen (0.3 billion euros). The company employed a workforce of 10,561 at the end of 2015.

Following the closing of the transaction, approximately 900 employees and six production sites in Germany, Austria, Spain, USA, and Malaysia will be transferred from SGL Group to their new owner.

The sale will result in impairment charges of 40-50 million euros in the current fiscal year of SGL Group, which are related to transaction costs and the continuation of the GE business until the closing date. The cash proceeds equal the book value as of September 30, 2016. Thus, the transaction does not trigger any write-downs on the book value in the GE business.

To maximize proceeds, the CFL/CE business, which is also part of the business unit PP, will be sold separately, with the sales process to be continued in early 2017. Given the outcome of the GE sale, SGL Group is now confident to achieve more than the book value of the former business unit PP in the aggregated transactions.

SGL Group is convinced that the proceeds of the GE sale and the expected proceeds of the CFL/CE sale will contribute to a significant reduction of the Group’s net debt position and thereby improve the balance sheet ratios. In addition, the company is currently evaluating the merits and viability of a potential near term rights issue utilising the existing authorized capital framework to further improve the capital structure and restore key financial metrics to create a solid foundation for our growth businesses CFM and GMS.

Against the backdrop of the disposal procedures for the GE and the CFL/CE businesses, the measures to adjust the administrative structures to a smaller SGL Group following the entire PP disposal, and the related other transitional matters in connection with the repositioning of the SGL Group to focus on its growth businesses CFM and GMS, the company decided to withdraw its guidance as provided in its report on the first half year 2016 with immediate effect, and to abstain for the time being from providing any short term profit guidance during this transformation phase. SGL Group plans to resume providing a new profit guidance around the time of the publication of its 2016 annual report in March 2017.

#### About SGL Group – The Carbon Company

SGL Group is one of the world's leading manufacturers of carbon-based products and materials. It has a comprehensive portfolio ranging from carbon and graphite products to carbon fibers and composites. SGL Group's core competencies are its expertise in high-temperature technology as well as its applications and engineering know-how gained over many years. These competencies enable the Company to make full use of its broad material base. SGL Group's carbon-based materials combine several unique properties such as very good electrical and thermal conductivity, heat and corrosion resistance as well as high mechanical strength combined with low weight. Due to industrialization in the growth regions of Asia and Latin America and increased substitution of traditional with innovative materials, there is a growing demand for SGL Group's high-performance materials and products. Products from SGL Group are used predominantly in the steel, aluminum, automotive and chemical industries as well as in the semiconductor, solar and LED sectors and in lithium-ion batteries. Carbon-based materials and products are also being used increasingly in the wind power, aerospace and defense industries.

**With 40 production sites in Europe, North America and Asia as well as a service network covering more than 100 countries, SGL Group is a company with a global presence. In 2015, the Company's workforce of around 5,700 employees generated sales of €1,323 million. The Company's head office is located in Wiesbaden.**

*Further information on SGL Group can be found in SGL Group's newsroom at [www.sglgroup.com/press](http://www.sglgroup.com/press) or at [www.sglgroup.com](http://www.sglgroup.com).*

#### About Showa Denko

Showa Denko K.K. (SDK), which was established in 1939, is one of Japan's leading chemical companies. The Showa Denko Group had annual consolidated sales of 781 billion yen in the year ending December 2015, and consists of 151 companies with more than 10,000 employees worldwide. SDK Group's business portfolio includes six segments; Petrochemicals, Chemicals, Electronics, Inorganics, Aluminum, and "Others" including materials for lithium-ion batteries. Based on its inorganic, metal and organic chemical technologies, the SDK Group provides individualized products in various areas including energy/environment, electronics, and basic materials for industrial use. Aiming to become a company contributing to the sound growth of society where affluence and sustainability are harmonized, SDK continues providing society with useful products and services.

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**Important note:**

This document contains statements relating to certain projections and business trends that are forward-looking, including statements with respect to SGL Group's outlook and business development, including developments in SGL Group's Composites - Fibers & Materials and Graphite Materials & Systems businesses, expected customer demand, expected industry trends and expected trends in the business environment, statements with respect to the sale of the graphite electrodes (GE) business and the expected sale of the cathodes, furnace linings, and carbon electrodes (CFL/CE) businesses, statements related to SGL Group's cost savings programs and statements with respect to the intention to conduct a share capital increase. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. These statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about SGL Group's businesses and future financial results, and readers should not place undue reliance on them. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. These risks and uncertainties include, without limitation, changes in political, economic, legal and business conditions, particularly relating to SGL Group's main customer industries, competitive products and pricing, the ability to achieve sustained growth and profitability in SGL Group's Composites - Fibers & Materials and Graphite Materials & Systems businesses, the impact of any manufacturing efficiencies and capacity constraints, widespread adoption of carbon fiber products and components in key end-markets of the SGL Group, including the automotive and aviation industries, the inability to execute additional cost savings or restructuring measures, availability of raw materials and critical manufacturing equipment, trade environment, changes in interest rates, exchange rates, tax rates, and regulation, available cash and liquidity, SGL Group's ability to refinance its indebtedness, development of the SGL Group's pension obligations, share price fluctuation, the satisfaction of the closing conditions for the disposition of the graphite electrodes (GE) business, including obtaining relevant regulatory approvals, the possibility that the length of time necessary to consummate the disposition of the graphite electrodes (GE) business may be longer than anticipated, the achievement of the expected benefits of the disposition of the graphite electrodes (GE) business, the possibility that the SGL Group may suffer as a result of uncertainty surrounding the disposition of the graphite electrodes (GE) business, the anticipated effect of the disposition of the graphite electrodes (GE) business may have on SGL Group's financial condition and results of operations, the ability to sell the cathodes, furnace linings, and carbon electrodes (CFL/CE) businesses at a price satisfactory to SGL Group or at all and other risks identified in SGL Group's financial reports. These forward-looking statements are made only as of the date of this document. SGL Group does not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.