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Report on the first quarter 2015

## Summary

- SGL2015: Further streamlining of the organization down to only three operational business units leads to changed reporting structure of the segments GMS and T&I and Corporate
- Q1/2015: Higher recurring EBIT of €5 million (Q1/2014: €1 million) at nearly stable sales
- SGL2015 savings amount to €15 million in the reporting period and €172 million since launch
- Guidance for full year 2015 confirmed

## Financial highlights (unaudited)

€m	1st Quarter		
	2015	2014	Change
Sales revenue	315.3	318.9	-1.1%
EBITDA before non-recurring charges	26.7	21.0	27.1%
Operating Profit/EBIT before non-recurring charges	5.1	0.9	> 100.0%
Return on sales (EBIT-margin) <sup>1)</sup>	1.6%	0.3%	-
Return on Capital Employed (ROCE <sub>EBITDA</sub> ) <sup>2)</sup>	6.0%	5.4%	-
EBIT	4.3	-1.4	> 100.0%
Consolidated net result (attributable to the shareholders of the parent company)	-16.5	-24.4	32.4%
Earnings per share – continuing operations, basic and diluted (in €)	-0.12	-0.27	55.6%

€m	March 31, 2015	Dec. 31, 2014	Change
Total assets	2,206.1	2,170.3	1.6%
Equity attributable to the shareholders of the parent company	557.2	567.6	-1.8%
Net financial debt	493.7	389.9	26.6%
Gearing <sup>3)</sup>	0.89	0.69	-
Equity ratio <sup>4)</sup>	25.3%	26.2%	-

<sup>1)</sup> Ratio of EBIT before non-recurring charges to sales revenue

<sup>2)</sup> EBITDA for the last twelve months before non-recurring charges to average capital employed (total of goodwill, other intangible assets, property, plant and equipment and working capital)

<sup>3)</sup> Net financial debt divided by equity attributable to the shareholders of the parent company

<sup>4)</sup> Equity attributable to the shareholders of the parent company divided by total assets

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# Interim Group Management Report (unaudited)

## Economic environment

In its World Economic Outlook of April 2015, the International Monetary Fund (IMF) confirmed its global growth forecast of 3.5% for the year 2015. For the following year 2016, IMF expects 3.8% growth, an increase of 0.1%-points over the January 2015 forecast. The anticipated growth rates for the years 2015 and 2016 continue to surpass the 3.4% recorded in both 2013 and 2014. In relative terms, especially compared to last year, growth prospects for the industrialised countries have developed a little more positively, while for the developing and emerging countries the outlook has slightly deteriorated – mainly as a result of the weakening growth in several large developing and oil-exporting countries. According to the IMF, the medium-term growth outlook for industrialised countries and in particular for developing countries has weakened, after growth especially in the latter category has slowed since 2010.

Overall, the risks and opportunities for global growth are currently more balanced compared to the detailed forecast in October 2014, albeit with a higher risk bias. On the positive side, the IMF sees opportunities arising from the falling oil price, which can stimulate demand strongly. The IMF at present sees risks in current geopolitical tensions, in the sharp rise in valuation of asset classes in the financial markets, and in the combination of economic stagnation in an environment of low inflation in the industrialised countries.

According to the IMF, the following four factors influenced global growth expectations since release of the detailed October 2014 forecast: Uneven growth rates in different regions, declining oil prices, exchange rate changes in the international currency markets and lower long-term interest rates. With regard to the unequal distribution of regional growth rates, growth in the US was stronger than expected and has reached an annualized rate of 4% over the last three quarters of 2014. After a weak second half, Japan barely recorded any growth in 2014. Growth in the fourth quarter of 2014 and in the first quarter of 2015 in the euro zone showed signs of recovery, supported by low oil prices and, due to the weakness of the euro, higher net exports. In China, the economic activity is within the range of earlier expectations, but a decline in investment activity in the second half of the year as a result of the correction in the real estate market indicates a further slowdown.

From a regional perspective, the industrialized countries continue to show the strongest growth dynamics as their growth is expected to accelerate from 1.4% in 2013, to 1.8% in 2014 followed by 2.4% in both 2015 and 2016. Growth expectations in the emerging countries and developing regions may be considerably stronger at 4.3% in 2015 and 4.7% in 2016, however, the development is anticipated to be in a similar magnitude as the 5.0% in 2013 and 4.6% in 2014. For the euro zone, the IMF is expecting an increase in economic performance of 1.5% in 2015, which represents an increase of 0.3%-points compared to the January forecast. The current year's growth forecast for Germany, according to the IMF, amounts to 1.6%, which is 0.3%-points higher than in the January forecast. Expectations for the US at 3.1% are 0.3%-points lower compared to the January forecast. Russia (minus 3.8%) and Brazil (minus 1.0%) are the countries with the lowest growth projections. The successor states of the Soviet Union excluding Russia (down 2.0%-points to 0.4%), and Brazil (down

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1.3%-points to minus 1.0%) are the regions with the highest downward revisions of growth dynamics compared to the January forecast. For China, the experts anticipate for this year growth of 6.8%, unchanged compared to the forecast in January, but well below the 7.4% that were achieved in 2014.

## **Key events of the business development**

### **Further streamlining of the organization as part of SGL2015 leads to changed reporting structure of the segments GMS and T&I and Corporate**

As of January 1, 2015, the organizational structure was further streamlined within the framework of the group-wide cost savings program SGL2015 and the former five business units were merged to form three operating business units. This restructuring will create additional synergies and will further streamline the organizational structure and workflows within the units.

The business units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) were merged to form the operational business unit Performance Products (PP). For financial reporting purposes, and unchanged to prior periods, this business unit will be disclosed in the reporting segment with the same name, Performance Products. The former business units Graphite Specialties (GS) and Process Technology (PT) now form the business unit Graphite Materials & Systems (GMS), and will be reported as such. The business unit Carbon Fibers & Composite Materials (CF/CM) remains unchanged and will continue to be presented together with the proportionately consolidated joint operations with the BMW Group (SGL ACF) in the reporting segment Carbon Fibers & Materials (CFM). As a result, all of our operational activities will be bundled in the three reporting segments PP, GMS, and CFM. The central and service functions, research activities and our SGL Excellence activities will continue to be included in the separate reporting segment T&I and Corporate.

## Discontinued Operations

Within the context of the group-wide costs savings program SGL2015, the disposal process for non core activities has been initiated. In June 2014, the management of SGL Group has resolved to sell the business unit Aerostructures (AS, Hitco). With this resolution, the business unit AS was reclassified as discontinued operations in the consolidated balance sheet and in the consolidated income statement. Accordingly, the previous year's consolidated income statement figures were restated to allow comparison.

## Business development

### Segment reporting

#### Reporting segment Performance Products (PP)

€m	1st Quarter		
	2015	2014	Change
Sales revenue	128.3	132.6	- 3.2%
EBITDA before non-recurring charges <sup>1)</sup>	18.6	14.5	28.3%
EBIT before non-recurring charges <sup>1)</sup>	8.2	4.0	> 100.0%
Return on sales	6.4%	3.0%	-
EBIT	7.4	3.2	> 100.0%

<sup>1)</sup> Non-recurring charges of minus €0.8 million and of minus €0.8 million in the first quarter 2015 and 2014, respectively

The electric steel industry, which is the relevant segment for our graphite electrode business, continued to be affected by a weak demand environment in the reporting period. A key reason for the weak graphite electrode demand is related to Chinese blast furnace steel overproduction, which, due to insufficient domestic demand, was increasingly exported overseas at very low prices. This resulted in lower electric steel production and, in turn, to lower demand for graphite electrodes. In addition, graphite electrode prices declined, driven

by lower raw material costs, which substantially receded due to the low crude oil price. Positive currency effects of 9% were partially able to compensate for this development. Accordingly, sales in the reporting segment Performance Products decreased slightly by 3% in the first quarter 2015 to €128.3 million (Q1/2014: €132.6 million).

Recurring EBIT in the reporting period doubled to €8.2 million (Q1/2014: €4.0 million) due to cost reductions, resulting from the above mentioned raw material price developments as well as from the cost savings program SGL2015. The EBIT margin more than doubled in the reporting period compared to the prior year period to 6.4% (Q1/2014: 3.0%). Savings from SGL2015 amounted to €9.3 million in the first quarter 2015, of which €2.1 million are attributable to our SGL Excellence initiative.

As reported earlier, we closed two graphite electrode plants with a total annual capacity of approx. 60,000t in Lachute (Canada) and Narni (Italy) in the reporting segment PP as part of the cost savings program SGL2015. Associated expenses were for the largest part already provisioned in the years 2013 and 2014, so that only marginal non-recurring expenses of €0.8 million (Q1/2014: €0.8 million) were incurred in the reporting period relating mainly to the closure of the Narni facility. As a consequence, EBIT after non-recurring charges amounted to €7.4 million in the first quarter 2015 (Q1/2014: €3.2 million).

### Reporting segment Graphite Materials & Systems (GMS)

€m	1st Quarter		
	2015	2014	Change
Sales revenue	104.1	114.8	- 9.3%
EBITDA before non-recurring charges <sup>1)</sup>	14.4	17.9	- 19.6%
EBIT before non-recurring charges <sup>1)</sup>	8.9	12.8	- 30.5%
Return on sales	8.5%	11.1%	-
EBIT	8.9	12.7	- 29.9%

<sup>1)</sup> Non-recurring charges of €0.0 million and of minus €0.1 million in the first quarter 2015 and 2014, respectively

Sales in the reporting segment Graphite Materials & Systems decreased by 9% (currency adjusted by 15%) to €104.1 million (Q1/2014: €114.8 million). The main reason for this development is a project related big ticket order from a customer in the electronics industry in the prior year period. Additionally, the weak order intake during the course of 2014 at Process Technology leads to a rather subdued first half year 2015. In contrast, demand for our anode materials for the lithium ion battery industry continued to develop favorably. Most other customer industries showed stabilization or even a small recovery in the order intake during 2014, based on a low level at year-end 2013. This trend continued into the first quarter 2015.

Lower utilization of our production facilities, particularly following the non-recurrence of last year's big ticket order, led to a declining result in the first quarter 2015, which was partly compensated by one-time gains from a land sale and from an insurance compensation. In total, recurring EBIT decreased by 30% to €8.9 million (Q1/2014: €12.8 million). The corresponding EBIT margin amounted to 8.5% and was below last year's level (Q1/2014: 11.1%).

Cost savings from SGL2015 amounted to €3.4 million in the reporting period, of which €1.9 million was attributable to our SGL Excellence initiative.

Restructuring expenses relating to SGL2015 were not incurred in the reporting segment GMS in the reporting period (Q1/2014: €0.1 million). Therefore EBIT after non-recurring charges in the first quarter 2015 also amounted to €8.9 million (Q1/2014: €12.7 million).

### Reporting segment Carbon Fibers & Materials (CFM)

€m	1st Quarter		
	2015	2014	Change
Sales revenue	80.0	69.2	15.6%
EBITDA before non-recurring charges <sup>1)</sup>	3.3	-4.0	> 100.0%
EBIT before non-recurring charges <sup>1)</sup>	-0.7	-6.9	89.9%
Return on sales	-0.9%	-10.0%	-
EBIT	-0.7	-7.0	90.0%

<sup>1)</sup> Non-recurring charges of €0.0 million and of minus €0.1 million in the first quarter 2015 and 2014, respectively



Sales in the reporting segment Carbon Fibers & Materials increased by 16% (currency adjusted by 9%) to € 80.0 million in the first quarter 2015 (Q1/2014: €69.2 million) mainly due to the significantly higher sales in our proportionally consolidated joint operations with BMW Group. But also the business unit Carbon Fibers & Composite Materials (CF/CM) was able to increase sales in the first quarter 2015 due to the increased demand from various customer industries.

Recurring EBIT in the first quarter 2015 increased substantially to minus €0.7 million from minus €6.9 million in the prior year period, leading to an EBIT margin of minus 0.9% (Q1/2014: minus 10.0%). Both the business unit CF/CM as well as our joint operations with BMW Group, SGL ACF, contributed positively to this development, the latter one mainly due to planned lower ramp up costs. Cost savings from SGL2015 amounted to €1.3 million in the reporting period, of which €0.7 million were attributable to our SGL Excellence initiative.

Restructuring expenses relating to SGL2015 were not incurred during the first quarter 2015 in the reporting segment CFM (Q1/2014: €0.1 million). Accordingly, EBIT after non-recurring charges also amounted to minus €0.7 million in the reporting period (Q1/2014: minus €7.0 million).

### At-Equity accounted business activities within SGL Group

(aggregated results attributable to SGL Group are reported under results from investments accounted for At-Equity)

€m	1st Quarter		
	2015	2014	Change
Sales revenue <sup>1)</sup>	60.5	50.6	19.6%

<sup>1)</sup> Aggregated, unconsolidated 100% values for all equity accounted companies

Sales revenue of all investments accounted for At-Equity increased by 20% in the first quarter 2015 to €60.5 million (Q1/2014: €50.6 million, 100% values for companies) and is not included in our consolidated Group sales figure. Main investments accounted for At-Equity are Brembo SGL (Italy and Germany) and Benteler SGL (Germany and Austria).

## Brembo SGL

The joint venture with Brembo for the production and further development of carbon ceramic brake discs was able to record a significant increase in shipments in the course of 2014 due to various serial production launches. A higher order intake was recorded at the end of 2014, resulting in a 26% sales increase in the first quarter 2015 compared to the prior year period. Consequently, the production facilities in Meitingen (Germany) and Stezzano (Italy) continue to be nearly fully utilized and will continue to be gradually expanded to meet the further growing brake disc demand for new car models. Having already achieved an operating profit in fiscal year 2014, the positive earnings trend strengthened in the first quarter 2015. As a result of the positive earnings development in 2014, the joint venture was able to distribute a dividend to its parent companies for the first time.

## Benteler SGL

We develop the use of CFRP components in the automotive industry in our joint venture with Benteler. Numerous projects with various OEMs in the automotive industry were awarded to us in the last years and are now in the serial production launch stage. After a strong sales growth in 2014, sales increased by 23% in the first quarter 2015. In the reporting period, start up losses relating to the serial production launches for new automotive projects were on a comparable level as in the prior year.

## Reporting segment T&I and Corporate

€m	1st Quarter		
	2015	2014	Change
Sales revenue	2.9	2.3	26.1%
EBITDA before non-recurring charges <sup>1)</sup>	-9.6	-7.4	-29.7%
EBIT before non-recurring charges <sup>1)</sup>	-11.3	-9.0	-25.6%
EBIT	-11.3	-10.4	-8.7%

<sup>1)</sup> Non-recurring charges of €0.0 million and of minus €1.4 million in the first quarter 2015 and 2014, respectively

As a further measure to optimize our portfolio and focus on our core competencies within the scope of SGL2015, we reclassified our aerospace and defense business, concentrated in the business unit Aerostructures (Hitco), as discontinued operations as of June 30, 2014. Accordingly, the figures for the reporting segment T&I and Corporate have been adjusted

for these activities for the prior year period. Additionally, the figures of the prior year period were adjusted for the activities of the former business unit Process Technology (PT), which has been operationally integrated into the business unit GMS as of January 1, 2015.

Recurring EBIT in the reporting segment T&I and Corporate decreased by 26% to minus €11.3 million (Q1/2014: minus €9.0 million). This increased expense was a result of various factors, which have more than offset savings from SGL2015. On one hand, in contrast to the prior year, higher provisions for management incentive programs were recorded based on a higher expected target attainment. In addition, the prior year period benefited from positive one-time effects relating to SGL2015.

SGL2015 savings amounted to €1.2 million in the reporting segment T&I and Corporate, relating mostly to savings from implemented personnel measures as well as lower travel expenses. SGL2015 savings do not include any SGL Excellence savings.

Non-recurring expenses were not incurred in the reporting segment T&I and Corporate in the reporting period (Q1/2014: minus €1.4 million). Accordingly, EBIT after non-recurring charges also amounted to minus €11.3 million in the reporting period (Q1/2014: minus €10.4 million).

## Group business development

### Condensed Consolidated Income Statement

€m	1st Quarter		
	2015	2014	Change
<b>Sales revenue</b>	<b>315.3</b>	<b>318.9</b>	<b>- 1.1%</b>
Gross profit	55.9	54.9	1.8%
Selling, administrative, and R&D expense	- 61.3	- 61.5	0.3%
Other operating income/expense	10.5	7.5	40.0%
<b>EBIT before non-recurring charges</b>	<b>5.1</b>	<b>0.9</b>	<b>&gt; 100.0%</b>
Restructuring expenses	- 0.8	- 2.3	65.2%
<b>EBIT</b>	<b>4.3</b>	<b>- 1.4</b>	<b>&gt; 100.0%</b>
<b>EBITDA before non-recurring charges</b>	<b>26.7</b>	<b>21.0</b>	<b>27.1%</b>

Based on the sales decline in the reporting segments PP and GMS, which was almost entirely compensated by the positive sales development in the reporting segment CFM, Group sales only declined marginally by 1% (currency adjusted by 8%) to € 315.3 million (Q1/2014: €318.9 million).

Gross margin at 17.7% was slightly higher than the prior year level of 17.2%, mainly due to the higher gross margin in PP resulting from SGL2015 savings (particularly relating to the closure of the production facility in Narni, Italy) as well as the higher capacity utilization at CFM. The GMS gross margin was, in contrast, lower, as the prior year benefited from a very good capacity utilization based on a big ticket order.

Compared to the prior year period, selling, administrative, and research expenses decreased only marginally to €61.3 million (Q1/2014: €61.5 million). SGL2015 savings were nearly entirely offset by currency driven higher US-Dollar based selling and administrative expenses on one hand, and by the consolidation of SGL Tokai (China) since September 2014, on the other hand.

The balance of other income/expense increased to €10.5 million (Q1/2014: €7.5 million) mainly due to the one-time gain from a land sale and from an insurance claim.

As a result, Group recurring EBIT increased and amounted to €5.1 million in the reporting period after €0.9 million in the previous year. The EBIT margin improved from 0.3% in the first quarter 2014 to 1.6% in the first quarter 2015. Cost savings from SGL2015 amounted to €15.2 million in the Group, of which €4.7 million was attributable to our SGL Excellence initiative.

Non-recurring charges in the first quarter 2015 totaled minus €0.8 million and relate to restructuring expenses in conjunction with SGL2015. In the prior year period, non-recurring charges amounted to minus €2.3 million. Accordingly, Group EBIT after non-recurring charges reached €4.3 million (Q1/2014: minus €1.4 million).

€m	1st Quarter		
	2015	2014	Change
<b>EBIT</b>	<b>4.3</b>	<b>-1.4</b>	<b>&gt; 100.0%</b>
Result from investments accounted for At-Equity	-0.1	-1.1	90.9%
Net financing result	-12.0	-12.9	7.0%
<b>Result from continuing operations before income taxes</b>	<b>-7.8</b>	<b>-15.4</b>	<b>49.4%</b>
Income tax expense	-2.3	-3.6	36.1%
<b>Result from continuing operations</b>	<b>-10.1</b>	<b>-19.0</b>	<b>46.8%</b>
Result from discontinued operations, net of tax	-5.1	-4.9	-4.1%
<b>Result for the period</b>	<b>-15.2</b>	<b>-23.9</b>	<b>36.4%</b>
Attributable to:			
Non-controlling interests	1.3	0.5	> 100.0%
<b>Consolidated net result (attributable to the shareholders of the parent company)</b>	<b>-16.5</b>	<b>-24.4</b>	<b>32.4%</b>
Earnings per share, basic and diluted (in €)	-0.18	-0.34	47.1%
Earnings per share continuing operations, basic and diluted (in €)	-0.12	-0.27	55.6%

### Results from investments accounted for At-Equity

At the end of 2014, both shareholders of SGL Lindner (marketing of graphite-based cooling ceilings) resolved to discontinue the joint venture and to pursue this business separately from the other party. The formal resolution to wind up SGL Lindner was taken during the reporting period. However, nearly all of the one-time costs associated with the closure had already been recorded by the year-end 2014, so that expenses incurred in the reporting period were of much lesser magnitude.

Results from investments accounted for At-Equity improved significantly to minus €0.1 million in the reporting period compared to the prior year period (Q1/2014: minus €1.1 million). On one hand, Brembo SGL's business performance continued to develop favorably during the first quarter 2015, which compensated for the losses of the Benteler SGL joint venture. On the other hand, negative earnings contributions from the SGL Lindner joint venture were much lower during the reporting period compared to the prior period as described above.

We continue to expect an improved result from investments accounted for At-Equity in the full year 2015 compared to the prior year, mainly due to higher production and shipment volumes.

## Net financing result

€m	1st Quarter		
	2015	2014	Change
Interest income	0.1	0.3	-66.7%
Interest expense	-7.1	-7.4	4.1%
Imputed interest convertible bonds (non-cash)	-2.2	-2.3	4.3%
Imputed interest finance lease (non-cash)	-0.3	-0.3	0.0%
Interest expense on pensions	-2.3	-2.7	14.8%
<b>Interest expense, net</b>	<b>-11.8</b>	<b>-12.4</b>	<b>4.8%</b>
Amortization of refinancing costs (non-cash)	-0.7	-0.8	12.5%
Other financial income	0.5	0.3	66.7%
<b>Other financing result</b>	<b>-0.2</b>	<b>-0.5</b>	<b>60.0%</b>
<b>Net financing result</b>	<b>-12.0</b>	<b>-12.9</b>	<b>7.0%</b>

At minus €12.0 million, the net financing result remained virtually unchanged compared to the prior year period.

The principal interest expense comprised the 4.875% per annum cash coupon on the corporate bond as well as 3.5% per annum and 2.75% per annum cash coupons on the two convertible bonds 2009/2016 and 2012/2018, respectively. The non-cash imputed interest on the convertible bonds is recognized in order to adjust the coupon on the convertible bonds to comparable interest rates at the time of issuance of the convertible bonds.

The lower interest expense on pensions reflects the decreased long-term interest rate for pensions provisions of the German and US pension plans.

## Result from continuing operations before and after taxes

Due to the developments described above, the result from continuing operations before taxes improved by 49% from minus €15.4 million to minus €7.8 million (adjusted for the discontinued Aerostructures activities). After consideration of income taxes of minus €2.3 million (Q1/2014: minus €3.6 million) and non-controlling interests of minus €1.3 million (Q1/2014: minus €0.5 million), as well as the result from discontinued operations of minus €5.1 million (Q1/2014: minus €4.9 million), the consolidated net result of minus €16.5 million improved compared to minus €24.4 million in the first quarter 2014.

## Balance sheet structure

€m	March 31, 2015	Dec. 31, 2014	Change
<b>ASSETS</b>			
Non-current assets	1,107.7	1,058.7	4.6%
Current assets	1,003.6	1,033.4	-2.9%
Assets held for sale	94.8	78.2	21.2%
<b>Total assets</b>	<b>2,206.1</b>	<b>2,170.3</b>	<b>1.6%</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to the shareholders of the parent company	557.2	567.6	-1.8%
Non-controlling interests	18.2	17.1	6.4%
<b>Total equity</b>	<b>575.4</b>	<b>584.7</b>	<b>-1.6%</b>
Non-current liabilities	1,122.5	1,083.1	3.6%
Current liabilities	445.3	445.0	0.1%
Liabilities associated with assets held for sale	62.9	57.5	9.4%
<b>Total equity and liabilities</b>	<b>2,206.1</b>	<b>2,170.3</b>	<b>1.6%</b>

Altogether, total assets as of March 31, 2015, only increased marginally compared to December 31, 2014. However, this includes positive currency effects totaling €137.1 million.

The increase in non-current assets results mainly from higher fixed assets, which increased by €39.4 million. This was partially offset by the lower book value of At-Equity accounted investments, which decreased as a result of a dividend payment.

Among current assets, the €47.1 million increase in trade receivables and inventories was more than offset by the lower liquidity, which decreased by €81.3 million.

During the reporting period, the discount rate for the calculation of pension provisions in Germany was reduced further to 1.5% as of March 31, 2015. As a result, pension provisions increased by €28.9 million to €421.4 million in total.

The balance sheet items relating to assets and liabilities held for sale are related to the intended divestment of the business unit AS. Assets held for sale as of March 31, 2015 increased by €16.6 million to €94.8 million. Currency adjusted, the increase amounted to €6.6 million and resulted from a temporary increase in working capital.

A table with the carrying amounts of the major groups of assets and liabilities held for sale can be found in the notes of this interim report.

### Working capital

€m	March 31, 2015	Dec. 31, 2014	Change
Inventories	502.1	463.3	8.4%
Trade receivables	183.8	175.5	4.7%
Trade payables	-151.0	-176.4	14.4%
<b>Working capital</b>	<b>534.9</b>	<b>462.4</b>	<b>15.7%</b>

Adjusted for currency effects of €23.2 million, working capital still increased by 10.6% or €49.3 million in the first quarter 2015. This development reflects some seasonal shipment patterns as well as the subdued demand at the beginning of this year. In addition, we expect higher shipments in the second half of this year. The decrease in trade payables relates to lower raw material costs as well as declining investment spend.



## Changes in equity

As of March 31, 2015, shareholders' equity amounted to €557.2 million (December 31, 2014: €567.6 million). The reduction is mainly due to, on one hand, the negative consolidated net result of €16.5 million. On the other hand, the adjustment of interest rates for pension provision calculations reduced equity by €20.4 million (after tax). Currency effects increased equity by €25.4 million. Overall, the equity ratio slightly declined to 25.3% compared to 26.2% as of December 31, 2014.

## Net financial debt

€m	March 31, 2015	Dec. 31, 2014	Change
Carrying amount of current and non-current financial liabilities	729.7	704.8	3.5%
Remaining imputed interest for the convertible bonds	19.3	21.5	-10.2%
Accrued refinancing cost	10.9	11.1	-1.8%
<b>Total financial debt (nominal amount)</b>	<b>759.9</b>	<b>737.4</b>	<b>3.1%</b>
Time deposits	40.6	40.5	0.2%
Cash and cash equivalents	225.6	307.0	-26.5%
<b>Total liquidity</b>	<b>266.2</b>	<b>347.5</b>	<b>-23.4%</b>
<b>Net financial debt</b>	<b>493.7</b>	<b>389.9</b>	<b>26.6%</b>
thereof: SGL ACF			
Current financial liabilities	132.3	110.5	19.7%
Cash and cash equivalents	7.0	11.0	-36.4%
<b>Net financial debt SGL ACF</b>	<b>125.3</b>	<b>99.5</b>	<b>25.9%</b>
<b>Net financial debt without SGL ACF</b>	<b>368.4</b>	<b>290.4</b>	<b>26.9%</b>

The financial debt mainly consisted of our corporate bond, the two convertible bonds and the netted amounts of the remaining imputed interest component and the refinancing costs.

As expected, net financial debt of SGL Group as of March 31, 2015, increased by €103.8 million or 27% to €493.7 million, on one hand, due to the increase of current financial liabilities of SGL ACF by €21.8 million (increase net of currency effects: €9.1 million), and, on the other hand, due to the decrease in liquidity to €266.2 million compared to €347.5 million at year-end 2014. This development is mainly attributable to the planned buildup of working

capital as well as to one-time cash outflows in connection with the settlement of USD currency hedges. These were necessary because the originally expected and thus hedged USD cash inflows from Hitco will not materialize as Hitco's assets were impaired in the meantime.

## Free cash flow

€m	1st Quarter	
	2015	2014
<b>Cash flow from operating activities</b>		
Result before taxes	- 7.8	- 15.4
Restructuring expenses	0.8	2.3
Depreciation and amortization expense	21.6	20.2
Changes in working capital (net)	- 49.2	- 13.8
Miscellaneous items	- 39.7	- 11.3
<b>Cash flow from operating activities-continuing operations</b>	<b>- 74.3</b>	<b>- 18.0</b>
<b>Cash flow from investing activities</b>		
Payments to purchase intangible assets and property, plant and equipment (without SGL ACF)	- 7.1	- 8.6
Payments to purchase intangible assets and property, plant and equipment (SGL ACF)	- 6.1	- 18.7
Proceeds from sale of intangible assets and property, plant & equipment	2.8	0.8
Dividend payments from investments accounted for At-Equity	7.0	0.0
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	- 0.4	- 0.4
<b>Cash flow from investing activities-continuing operations</b>	<b>- 3.8</b>	<b>- 26.9</b>
<i>Free cash flow<sup>1)</sup></i>	<i>- 78.1</i>	<i>- 44.9</i>

<sup>1)</sup> Defined as cash flow from operating activities minus cash flow from investing activities (continuing operations)

In the first quarter 2015, cash flow from operating activities – continuing operations – amounted to minus €74.3 million after minus €18.0 million in the prior year period, mainly due the planned buildup of working capital (primarily driven by lower trade accounts payables following the decrease in raw material prices). Miscellaneous items mainly include the cash effects resulting from the settlement of USD hedges associated with the impairment of Hitco's assets.

Capital expenditures in intangible assets and property, plant and equipment decreased by 52% to €13.2 million in total, mainly due to declining investment activity at SGL ACF. This reflects, on the one hand, that the capacity expansion at our joint operations with the BMW Group are close to finalization, and, on the other hand, the stringent investment policy applied to our established businesses.

While the total free cash flow in the reporting period deteriorated to minus €78.1 million compared to prior period (Q1/2014: minus €44.9 million), it still developed more positively than envisaged during the annual press conference.

## Employees

The following tables provide information on the headcount development according to reporting segments resp. to geographies:

Headcount	March 31, 2015	Dec. 31, 2014	Change
Performance Products	1,890	1,990	-5.0%
Graphite Materials & Systems	2,582	2,641	-2.2%
Carbon Fibers & Materials	1,092	1,054	3.6%
T&I and Corporate	172	174	-1.1%
<b>Total continuing operations</b>	<b>5,736</b>	<b>5,859</b>	<b>-2.1%</b>
Discontinued operations (Hitco)	471	483	-2.5%
<b>Total SGL Group</b>	<b>6,207</b>	<b>6,342</b>	<b>-2.1%</b>

Headcount	March 31, 2015	Dec. 31, 2014	Change
Germany	2,242	2,259	-0.8%
Europe excluding Germany	1,910	1,997	-4.4%
North America	851	864	-1.5%
Asia	733	739	-0.8%
<b>Total continuing operations</b>	<b>5,736</b>	<b>5,859</b>	<b>-2.1%</b>
Discontinued operations (Hitco)	471	483	-2.5%
<b>Total SGL Group</b>	<b>6,207</b>	<b>6,342</b>	<b>-2.1%</b>

The number of employees in our continuing businesses amounted to 5,736 as of March 31, 2015 (December 31, 2014: 5,859). The decline of 123 employees in the first quarter 2015 reflects continuing effects from the implementation of SGL2015 measures, mainly resulting from the termination of the graphite electrode production in Narni (Italy). Including the discontinued activities, the number of employees at SGL Group totaled 6,207 as of March 31, 2015 (December 31, 2014: 6,342).

Compared to the year-end 2012 (6,686 employees), which is the starting point of our cost savings program SGL2015, the number of SGL Group employees (excluding SGL ACF) decreased by 697, of which 339 relate to the sale of our rotor blades activities and the remainder to the ongoing organizational and asset restructuring measures.

## **Opportunities and risks**

Regarding existing opportunities and risks, we refer to the annual report for the financial year ended December 31, 2014, as well as to the Management Report of this interim report.

Opportunities might result from a more positive development of the global economy and our customer industries. The successful implementation of the SGL2015 cost savings program also offers favorable opportunities for our Company. Our competitive position will be strengthened by an improved cost position, lean administration structures together with more efficient and adapted production capacities. In addition, we see considerable opportunities in the rapidly growing usage of carbon fiber composite materials in the automotive industry, which can significantly improve our mid-term earnings expectations. Additional opportunities could result from a further devaluation of the Euro against the US-Dollar.

At present stage, we continue to see risks associated with the sovereign debt crisis in various regions in the world. This can negatively impact the financial situation of our customers. Governmental policy-driven regulatory measures in relation to tax increases

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and public spending cuts can negatively affect our business. The economic and political developments in China might have a considerable impact on the demand of our customers' businesses. With regards to the situation in Ukraine and Russia, as well as the unstable political situation in the Near and Middle East regions, political reactions and sanctions could also result in a negative impact. Besides such regional and global economic trends, we also generally face more subdued, and in certain cases even markedly reduced, demand in our customer industries. Exchange rate fluctuations could increase competitive pressures, leading potentially to further price reductions from our competitors. A reversal of raw material prices could negatively impact profit margins and may further weaken demand.

In the business unit Performance Products, prices for graphite electrodes have substantially deteriorated since the middle of 2013. Overall, the graphite electrode market is characterized by overcapacities also in 2015. This can have an adverse effect on earnings.

In the graphite specialties businesses of our business unit Graphite Materials & Systems we face cyclical demand fluctuations and overcapacities in some markets. This results in profit contribution risks for individual products, customer industries as well as within various regions. The Process Technology business is faced with intensive competition for only few large projects that are necessary to achieve our growth objectives.

The risk situation in the reporting segment Carbon Fibers & Materials continues to arise from the unstable demand for industrial carbon fibers. Currently, we do not anticipate a sustainable recovery of the market environment in the short term. In contrast, our business for the production and development of carbon ceramic brake discs operated together with Brembo develops very favorably. Furthermore, we continue to expect that the fundamental mid to long term growth trends for lightweight materials, particularly in the automobile sector, will stay unchanged. Risks can arise from sluggish growth in the wind power sector, the reliability of supplies of certain raw materials and the achievement of specific customer quality requirements.

A further weakening of our business might lead to impairments of non-current assets in some business units.

The business unit Aerostructures classified as discontinued operations bears risks with regards to the intended disposal. The reasonably foreseeable selling price can be above or below the carrying amounts of the related assets and liabilities held for sale. In addition, there is a risk of delayed settlement of the sales process.

The financing agreements of SGL Group contain contractually agreed covenants that regulate compliance with specific financial ratios during the terms. There is a possibility that we may not achieve some of the relevant financial covenants in the following quarters if the difficult business conditions persist.

SGL Group is subject to regular tax audits. Based on the expectations and the assessment of management, provisions for possible risks arising from the ongoing tax audits were recorded in the second quarter 2013, which might result in future cash outflows.

Despite the generally unsatisfactory demand and earnings situation, as well as the continued competitive pressures, in our opinion and based on information currently available, there are no material individual risks that could jeopardize sustainably the business as a going concern. Even if the individual risks are viewed on an aggregated basis, they currently do not threaten the going concern of SGL Group.

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## Outlook

### **Reporting segment Performance Products (PP)**

Sales in our business unit Performance Products (PP) should increase somewhat in percentage terms. For graphite electrodes, we anticipate a stabilization of demand on low levels with prices adjusting to lower raw material costs. In addition, we do not anticipate a near term recovery in electric steel markets due to the continued export pressure from Chinese blast furnace steel. For cathodes, we anticipate increased shipments at mostly stable but low price levels. The aluminum market is also impacted by rising Chinese exports. However we have been successful at entering the Chinese market with our cathodes.

Recurring EBIT should improve significantly in percentage terms, in particular due to cost reductions resulting from measures implemented in the context of SGL2015 and lower raw materials costs.

### **Reporting segment Graphite Materials & Systems (GMS)**

In fiscal year 2014, the reporting segment GMS benefited from a big ticket order. Adjusted for this large order, we anticipate a slight sales increase based on rising demand from customers in the industrial as well as the electronic sectors. Additionally, we expect significantly higher demand from the energy industries, such as for graphite anode materials for lithium ion batteries.

EBIT of the prior year also benefited from the big ticket order – nevertheless, we anticipate EBIT to come close to the level of the previous year.

### **Reporting segment Carbon Fibers & Materials (CFM)**

Slight growth is anticipated for our reporting segment Carbon Fibers & Materials (CFM), which above all will benefit from the accelerated capacity expansion in our two joint operations with the BMW Group (SGL ACF, USA and Germany). The sales of our precursor subsidiary Fisipe could develop in the opposite direction, however, since the price of acrylic fiber closely correlates to that of crude oil.

EBIT for this reporting segment should be able to benefit both from the expected completion of the start-up phase in our joint operations with BMW Group in mid-2015, as well as from increasing demand for composite materials and slightly higher demand from the wind industry.

## **T&I and Corporate**

Expenses for our centralized research activities are expected on the same level as in the prior year. Corporate expenses are expected to increase slightly due to new efficiency projects, which we are partially implementing with the support of external consultants. In total, expenses for T&I and Corporate are expected to increase slightly compared to the previous year level.

## **Group**

Due to the developments described above, we confirm our guidance for fiscal year 2015, which we published with the annual report in March 2015. We expect Group sales to remain roughly stable in 2015 in comparison to the prior year. Lower prices resulting from receding raw material costs will be compensated by currency gains. In addition, we do not anticipate a near term recovery in electric steel markets due to the continued export pressure from Chinese blast furnace steel. Nevertheless, Group EBITDA and Group EBIT should significantly improve year over year (both before non-recurring charges).

We are pursuing our SGL2015 cost savings program with highest priority. Since the launch of the program in the summer of 2013, we were already able to achieve cumulative savings of a total of €172 million and hence more than originally expected. Accordingly, the total savings target (based on actual costs in 2012) was increased from initially €150 million to more than €200 million in September 2014 and finally to €240 million in the first quarter 2015. Savings in a mid double-digit million euro amount could therefore once again be



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realistic for 2015. In connection with SGL2015, restructuring expenses will once again be incurred in 2015, but at a much lower level than in 2014. We are thus currently planning for restructuring expenses in a high single-digit million euro amount. Similar to last year, we anticipate restructuring cash outflows in a mid double-digit million euro amount since payments for the measures initiated in 2013 and 2014 were not immediately due. These payments, in addition to high capital expenditures for capacity expansions in our joint operations with BMW Group during the first half of 2015, will continue to burden the free cash flow from continuing operations in 2015. On the whole, net debt will be significantly higher at year end 2015 than at year end 2014. A large part of this development already took place in the first quarter 2015.

Since a number of long-term expansion projects are either largely completed or at the end of their investment phase in all established businesses, capital expenditure requirements have declined since 2013 compared to prior years. Only the proportionally consolidated joint operations with BMW Group significantly increased their capital expenditure in 2014 since additional capacities were built up in response to the strong demand for carbon fibers and composites. This expansion, too, will largely be completed in mid-2015. Given the weak earnings situation, we will additionally curtail our expenses further. Accordingly, for the year 2015, we anticipate capital expenditure on property, plant, and equipment to be significantly lower than in 2014 and for the first time in many years to be at most at the level of depreciation. Depreciation will rise from the prior year due to the commissioning of new equipment in the reporting segment CFM, above all in connection with the capacity expansion in the joint production facilities with BMW Group.

Wiesbaden, April 29, 2015

SGL Carbon SE  
The Board of Management

# Condensed Consolidated Interim Financial Statements (unaudited)

## Consolidated Income Statement

€m	1st Quarter		
	2015	2014	Change
<b>Sales revenue</b>	<b>315.3</b>	<b>318.9</b>	<b>- 1.1%</b>
Cost of sales	-259.4	-264.0	1.7%
<b>Gross profit</b>	<b>55.9</b>	<b>54.9</b>	<b>1.8%</b>
Selling expenses	-36.2	-35.8	-1.1%
Research and development costs	-9.3	-10.4	10.6%
General and administrative expenses	-15.8	-15.3	-3.3%
Other operating income	20.2	10.1	100.0%
Other operating expenses	-9.7	-2.6	> -100.0%
Restructuring expenses	-0.8	-2.3	65.2%
<b>Operating profit/loss</b>	<b>4.3</b>	<b>-1.4</b>	<b>&gt; 100.0%</b>
Result from investments accounted for At-Equity	-0.1	-1.1	90.9%
Interest income	0.1	0.3	-66.7%
Interest expense	-11.9	-12.7	6.3%
Other financing result	-0.2	-0.5	60.0%
<b>Result from continuing operations before income taxes</b>	<b>-7.8</b>	<b>-15.4</b>	<b>49.4%</b>
Income tax expense	-2.3	-3.6	36.1%
<b>Result from continuing operations</b>	<b>-10.1</b>	<b>-19.0</b>	<b>46.8%</b>
Result from discontinued operations, net of tax	-5.1	-4.9	-4.1%
<b>Net result for the period</b>	<b>-15.2</b>	<b>-23.9</b>	<b>36.4%</b>
Attributable to:			
Non-controlling interests	1.3	0.5	> 100.0%
<b>Consolidated net result (attributable to the shareholders of the parent company)</b>	<b>-16.5</b>	<b>-24.4</b>	<b>32.4%</b>
Earnings per share, basic and diluted (in €)	-0.18	-0.34	47.1%
Earnings per share – continuing operations, basic and diluted (in €)	-0.12	-0.27	55.6%

## Consolidated Statement of Comprehensive Income

€m	1st Quarter	
	2015	2014
<b>Result for the period</b>	<b>- 15.2</b>	<b>- 23.9</b>
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of securities available	0.0	0.1
Cash flow hedges <sup>1)</sup>	- 1.7	- 0.8
Currency translation	26.3	- 0.4
Items that will not be reclassified subsequently to profit or loss		
Actuarial losses on defined benefit plans and similar obligations <sup>2)</sup>	- 20.4	0.0
<b>Other comprehensive income</b>	<b>4.2</b>	<b>- 1.1</b>
<b>Comprehensive income</b>	<b>- 11.0</b>	<b>- 25.0</b>
<i>of which attributable to the shareholders of the parent company</i>	<i>- 13.1</i>	<i>- 25.5</i>
<i>of which attributable to non-controlling interests</i>	<i>2.1</i>	<i>0.5</i>

<sup>1)</sup> Includes tax effects of €1.1 million (2014: €0.5 million)

<sup>2)</sup> Includes tax effects of €8.5 million (2014: €0.0 million)

## Consolidated Balance Sheet

ASSETS €m	March 31, 2015	Dec. 31, 2014	Change
<b>Non-current assets</b>			
Goodwill	23.1	21.1	9.5%
Other intangible assets	24.0	24.2	-0.8%
Property, plant and equipment	933.3	893.9	4.4%
Investments accounted for At-Equity	35.5	41.7	-14.9%
Other non-currents assets	8.3	8.4	-1.2%
Deferred tax assets	83.5	69.4	20.3%
	<b>1,107.7</b>	<b>1,058.7</b>	<b>4.6%</b>
<b>Current assets</b>			
Inventories	502.1	463.3	8.4%
Trade receivables	183.8	175.5	4.7%
Other receivables and other assets	51.5	47.1	9.3%
Liquidity	266.2	347.5	-23.4%
<i>Time deposits</i>	40.6	40.5	0.2%
<i>Cash and cash equivalents</i>	225.6	307.0	-26.5%
	<b>1,003.6</b>	<b>1,033.4</b>	<b>-2.9%</b>
<b>Assets held for sale</b>	<b>94.8</b>	<b>78.2</b>	<b>21.2%</b>
<b>Total assets</b>	<b>2,206.1</b>	<b>2,170.3</b>	<b>1.6%</b>

EQUITY AND LIABILITIES €m	March 31, 2015	Dec. 31, 2014	Change
<b>Equity</b>			
Issued capital	234.8	234.0	0.3%
Capital reserves	916.3	914.4	0.2%
Accumulated losses	- 593.9	- 580.8	- 2.3%
<b>Equity attributable to the shareholders of the parent company</b>	<b>557.2</b>	<b>567.6</b>	<b>- 1.8%</b>
Non-controlling interests	18.2	17.1	6.4%
<b>Total equity</b>	<b>575.4</b>	<b>584.7</b>	<b>- 1.6%</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar employee benefits	421.4	384.7	9.5%
Other provisions	53.8	53.7	0.2%
Interest-bearing loans	594.6	592.2	0.4%
Other liabilities	52.7	52.5	0.4%
	<b>1,122.5</b>	<b>1,083.1</b>	<b>3.6%</b>
<b>Current liabilities</b>			
Other provisions	93.0	98.6	- 5.7%
Current portion of interest-bearing loans	135.1	112.6	20.0%
Trade payables	151.0	176.4	- 14.4%
Other liabilities	66.2	57.4	15.3%
	<b>445.3</b>	<b>445.0</b>	<b>0.1%</b>
<b>Liabilities in connection with assets held for sale</b>	<b>62.9</b>	<b>57.5</b>	<b>9.4%</b>
<b>Total equity and liabilities</b>	<b>2,206.1</b>	<b>2,170.3</b>	<b>1.6%</b>

## Consolidated Cash Flow Statement

€m	1st Quarter	
	2015	2014
<b>Cash flow from operating activities</b>		
Result before tax from continuing operations	-7.8	-15.4
Adjustments to reconcile the result from continuing operations to cash flow from operating activities:		
Interest expense (net)	11.8	12.4
Gain/Loss on disposal of property, plant and equipment	-2.7	0.0
Depreciation and amortization expense	21.6	20.2
Restructuring expenses	0.8	2.3
Result from investments accounted for At-Equity	0.1	1.1
Amortization of refinancing costs	0.7	0.8
Interest received	0.1	0.2
Interest paid	-10.1	-5.4
Income taxes paid	-2.8	-1.4
Changes in provisions, net	-11.6	-17.7
Changes in working capital		
Inventories	-16.2	-5.4
Trade receivables	-2.1	-16.4
Trade payables	-30.9	8.0
Changes in other operating assets and other liabilities	-25.2	-1.3
<b>Cash flow from operating activities – continuing operations</b>	<b>-74.3</b>	<b>-18.0</b>
Cash flow from operating activities – discontinued operations	-12.1	-2.3
<b>Cash flow from operating activities – continuing and discontinued operations</b>	<b>-86.4</b>	<b>-20.3</b>

€m	1st Quarter	
	2015	2014
<b>Cash flow from investing activities</b>		
Payments to purchase intangible assets and property, plant and equipment	-13.2	-27.3
Proceeds from sale of intangible assets and property, plant and equipment	2.8	0.8
Dividend payments from investments accounted for At-Equity	7.0	0.0
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	-0.4	-0.4
<b>Cash flow from investing activities – continuing operations</b>	<b>-3.8</b>	<b>-26.9</b>
Changes in time deposits	0.0	-40.4
<b>Cash flow from investing activities and cash management activities – continuing operations</b>	<b>-3.8</b>	<b>-67.3</b>
Cash flow from investing activities and cash management activities – discontinued operations	-1.2	-1.5
<b>Cash flow from investing activities and cash management activities – continuing and discontinued operations</b>	<b>-5.0</b>	<b>-68.8</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of financial liabilities	9.1	13.5
Repayment of financial liabilities	0.0	-2.3
Payments in connection with financing activities	-0.5	-0.8
<b>Cash flow from financing activities</b>	<b>8.6</b>	<b>10.4</b>
Effect of foreign exchange rate changes	1.4	-0.1
<b>Net change in cash and cash equivalents</b>	<b>-81.4</b>	<b>-78.8</b>
Cash and cash equivalents at beginning of period	307.0	235.1
<b>Cash and cash equivalents at end of period</b>	<b>225.6</b>	<b>156.3</b>
Time deposits	40.6	40.4
<b>Total liquidity</b>	<b>266.2</b>	<b>196.7</b>

## Condensed Consolidated Statement of Changes in Equity

€m	1st Quarter 2015		
	Shareholders' equity	Non-controlling interests	Total equity
<b>Balance at January 1</b>	<b>567.6</b>	<b>17.1</b>	<b>584.7</b>
<b>Capital increase from share-based payment plans</b>	<b>2.7</b>	<b>0.0</b>	<b>2.7</b>
<b>Dividends</b>	<b>0.0</b>	<b>-0.7</b>	<b>-0.7</b>
Result for the period	-16.5	1.3	-15.2
Other comprehensive income	3.4	0.8	4.2
<b>Total comprehensive income</b>	<b>-13.1</b>	<b>2.1</b>	<b>-11.0</b>
Other changes in equity <sup>1)</sup>	0.0	-0.3	-0.3
<b>Balance at March 31</b>	<b>557.2</b>	<b>18.2</b>	<b>575.4</b>

€m	1st Quarter 2014		
	Shareholders' equity	Non-controlling interests	Total equity
<b>Balance at January 1</b>	<b>607.7</b>	<b>16.2</b>	<b>623.9</b>
<b>Capital increase from share-based payment plans</b>	<b>3.2</b>	<b>0.0</b>	<b>3.2</b>
Result for the period	-24.4	0.5	-23.9
Other comprehensive income	-1.1	0.0	-1.1
<b>Total comprehensive income</b>	<b>-25.5</b>	<b>0.5</b>	<b>-25.0</b>
Other changes in equity <sup>1)</sup>	0.0	-0.5	-0.5
<b>Balance at March 31</b>	<b>585.4</b>	<b>16.2</b>	<b>601.6</b>

<sup>1)</sup> In particular in connection with non-controlling interests in subsidiary partnerships



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# Notes to the condensed consolidated interim financial statements

## Description of business

SGL Carbon SE, located at Söhnleinstrasse 8, Wiesbaden (Germany), together with its subsidiaries (the Company or SGL Group) is a global manufacturer of carbon and graphite products.

## Basis of preparation and accounting policies

The condensed consolidated interim financial statements of SGL Group have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial reporting as issued by the International Accounting Standards Board and as adopted by the European Union (EU) and should be read in conjunction with the SGL Group Consolidated Financial Statements as of December 31, 2014. The condensed consolidated interim financial statements as of March 31, 2015 apply the same accounting principles and practices as those used in the 2014 annual financial statements. These condensed consolidated interim financial statements contain all of the information that is required for a fair presentation of the results of operations and the financial position of the Group.

The condensed consolidated interim financial statements were authorized for publication in accordance with a resolution of the Board of Management on April 29, 2015. The Interim Financial Statements and Interim Group Management Report have been neither audited nor subject to an auditor's review.

## Segment reporting

As of January 1, 2015, the former five business units were merged to form three operating business units to create additional synergies and to further streamline the organizational structure and workflows.

The business units Graphite & Carbon Electrodes (GCE) and Cathodes & Furnace Linings (CFL) were merged to form the operational business unit Performance Products (PP). For financial reporting purposes, and unchanged to prior periods, this business unit will be

disclosed in the reporting segment with the same name, Performance Products. The former business units Graphite Specialties (GS) and Process Technology (PT) now form the business unit Graphite Materials & Systems (GMS), and will be reported as such. The business unit Carbon Fibers & Composite Materials (CF/CM) remains unchanged and will continue to be presented together with the proportionately consolidated joint operations with the BMW Group (SGL ACF) in the reporting segment Carbon Fibers & Materials (CFM). As a result all of our operational activities will be bundled in the three reporting segments PP, GMS, and CFM since January 1, 2015.

The central and service functions, research activities and our SGL Excellence activities will continue to be included in the separate reporting segment T&I and Corporate.

Previous period figures were restated to allow comparison.

### Changes to the scope of consolidation

There were no changes to the scope of consolidation as of March 31, 2015, compared to December 31, 2014.

### Discontinued Operations pursuant to IFRS 5

Income and expenses incurred the business unit Aerostructures (AS, Hitco) in 2015 and 2014 are reported separately under discontinued operations:

€m	1st Quarter	
	2015*	2014*
Total revenue from discontinued operations	23.8	17.4
Total expenses from discontinued operations	- 29.2	- 22.3
<b>Result from operating activities of discontinued operations before income taxes</b>	<b>- 5.4</b>	<b>- 4.9</b>
Attributable tax income	0.3	0.0
<b>Result from discontinued operations</b>	<b>- 5.1</b>	<b>- 4.9</b>

\* The result from operating activities of discontinued operations for the year represents the result for the period from January 1, to March 31

Unchanged to December 31, 2014, assets and liabilities attributable to Hitco are presented as held for sale. The carrying amounts of the major groups of assets and liabilities held for sale are as follows:

€m	March 31, 2015	Dec. 31, 2014	Change
Property, plant and equipment	41.8	38.9	7.5%
Inventories	34.5	28.3	21.9%
Trade accounts receivable and other assets	18.5	11.0	68.2%
<b>Assets held for sale</b>	<b>94.8</b>	<b>78.2</b>	<b>21.2%</b>
Trade accounts payable and other liabilities	57.7	51.3	12.5%
Provisions	5.2	6.2	-16.1%
<b>Liabilities in connection with assets held for sale</b>	<b>62.9</b>	<b>57.5</b>	<b>9.4%</b>
<b>Net carrying amount</b>	<b>31.9</b>	<b>20.7</b>	<b>54.1%</b>

As of March 31, 2015, net carrying amount (balance of assets held for sale less liabilities in connection with assets held for sale) increased by 54% to €31.9 million, compared to €20.7 million at year-end 2014. In addition to the temporary increase of working capital, this development is particularly attributable to currency effects.

### Pension Obligations

As of March 31, 2015, SGL Group adjusted the pension discount rate in Germany by 0.50%-points as a consequence of further reduced long-term interest rate levels. This discount rate is used to calculate the estimated net present value of pension plan obligations. As of March 31, 2015, the discount rates are 1.5% in Germany (Dec 31, 2014: 2.0%) and 4.0% in USA (Dec 31, 2014: 4.0%). The discount rate adjustment resulted in actuarial losses of €28.9 million and a corresponding opposing deferred tax effect of €8.5 million, which have been included in comprehensive income in the first quarter 2015, thereby reducing equity.

## Other disclosures

### Joint Ventures

Joint ventures accounted for At-Equity particularly comprise: Brembo SGL Carbon Ceramic Brakes S.p.A, Stezzano, Italy, which is operated together with Brembo and produces and develops carbon ceramic brake discs, and Benteler-SGL GmbH & Co. KG, Paderborn, Germany, operated together with Benteler and develops the use of CFRP components in the automotive industry. SGL Group holds a share of 50% in each of these companies. The table below provides summarized financial information for both joint ventures, as reported in their respective financial statements. It also shows the reconciliation of the summarized financial information to the carrying amount of SGL Group's share in both joint ventures.

	<b>1st Quarter</b>	
€m	<b>2015</b>	2014
<b>Income Statement</b>		
Sales revenue	45.5	36.3
Operating profit/loss	3.8	0.6
Net result for the period (100%)	0.9	- 0.2
Share of SGL Group in the net result of the period (50%)	0.5	- 0.1
<b>Balance sheet</b>	<b>March 31, 2015</b>	Dec. 31, 2014
Non-current assets	74.2	74.6
Current assets	78.7	92.8
thereof cash and cash equivalents	9.7	27.8
Non-current liabilities	47.4	51.3
thereof financial liabilities	40.7	40.9
Current liabilities	49.6	47.2
thereof financial liabilities	8.4	8.4
<b>Net assets (100%)</b>	<b>55.9</b>	<b>68.9</b>
Share of SGL Group in net assets (50%)	28.0	34.5
Goodwill/customer base	4.0	4.0
<b>Carrying amount of material joint ventures</b>	<b>32.0</b>	<b>38.5</b>

## Material joint ventures accounted for At-Equity (Share of SGL Group)

€m	1st Quarter	
	2015	2014
<b>Ownership interests</b>	<b>50%</b>	<b>50%</b>
<b>Carrying amount of interest in joint ventures – beginning of year</b>	<b>38.5</b>	<b>31.2</b>
Share in net result of the period	0.5	- 0.1
Other adjustments affecting other comprehensive income	- 0.1	0.0
<b>Total comprehensive income of the companies</b>	<b>0.4</b>	<b>- 0.1</b>
Capital measures/dividends/other adjustments	- 7.0	0.4
Other adjustments affecting profit and loss	0.1	0.0
<b>Carrying amount of interests in major joint ventures – end of quarter</b>	<b>32.0</b>	<b>31.5</b>

## Additional disclosures on financial instruments

The following table assigns the individual balance sheet items for the financial instruments to classes and valuation categories:

€m

### Financial assets

Cash and cash equivalents

Time deposits

Trade receivables

Available-for-sale financial assets

Other financial assets

Derivative financial assets

Derivatives without a hedging relationship<sup>1)</sup>

Derivatives with a hedging relationship

### Financial liabilities

Corporate bond

Convertible bonds

Bank loans, overdrafts and other financial liabilities

Refinancing expenses

Finance lease liabilities

Trade payables

Miscellaneous other financial liabilities

Derivative financial liabilities

Derivatives without a hedging relationship<sup>2)</sup>

Derivatives with a hedging relationship

### Thereof aggregated by measurement category in accordance with IAS 39

1) Loans and receivables

2) Available-for-sale financial assets

3) Financial assets held for trading

4) Financial liabilities measured at amortized costs

5) Financial liabilities held for trading

<sup>1)</sup> Thereof €6.6 million (December 31, 2014: €0.7 million), classified as cash flow hedges prior to the settlement of the hedged item or for hedging of intercompany loans in foreign currency

<sup>2)</sup> Thereof €14.2 million (December 31, 2014: €12.0 million), classified as cash flow hedges prior to the settlement of the hedged item or for hedging of intercompany loans in foreign currency

n/a = not applicable

Measurement category under IAS 39	Carrying amount as of March 31, 2015	Amortized costs	Fair value through equity	Fair value through profit and loss	Carrying amount under IAS 17	Carrying amount as of Dec. 31, 2014
1)	225.6	225.6				307.0
1)	40.6	40.6				40.5
1)	183.8	183.8				175.5
2)	5.2		5.2			4.7
1)	1.6	1.6				1.7
3)	6.6			6.6		0.7
n.a.	2.0		2.0			1.3
4)	250.0	250.0				250.0
4)	355.4	355.4				353.2
4)	135.1	135.1				112.6
4)	-10.8	-10.8				-11.0
n.a.	20.5				20.5	20.5
4)	151.0	151.0				176.4
4)	30.3	30.3				30.0
5)	14.2			14.2		12.0
n.a.	5.4		5.4			2.0
	451.6	451.6				524.7
	5.2		5.2			4.7
	6.6			6.6		0.7
	911.0	911.0				911.2
	14.2			14.2		12.0

The following table shows the breakdown of the assets and liabilities measured at fair value into the three levels of fair value hierarchy in accordance with IFRS 13:

	<b>March 31, 2015</b>			<b>Total</b>
	Level 1	Level 2	Level 3	
Available-for-sale financial assets	5.2	–	–	5.2
Derivative financial assets	–	8.6	–	8.6
Derivative financial liabilities	–	19.6	–	19.6

	<b>December 31, 2014</b>			<b>Total</b>
	Level 1	Level 2	Level 3	
Available-for-sale financial assets	4.7	–	–	4.7
Derivative financial assets	–	2.0	–	2.0
Derivative financial liabilities	–	14.0	–	14.0

The fair value of the corporate bond recorded at amortized costs was €266.7 million as of March 31, 2015 (December 31, 2014: €259.9 million). The fair market value of the convertible bonds 2009/2016 and 2012/2018 as of March 31, 2015 was €136.0 million and €230.3 million, respectively (December 31, 2014: €134.1 million and €223.2 million, respectively).



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### **Seasonality of operations**

In PP, our sales revenue fluctuates from quarter to quarter due to factors related to our customers' businesses (production capacity utilization, inventory levels, development of energy costs, closure of production facilities, etc.). In addition, customers may change their order patterns in response to price changes. For example, customers tend to order additional quantities during the period prior to the effective date of a price increase (and vice versa).

Customer order patterns within the segments GMS and CFM primarily follow overall global trends (e.g. for lightweight materials) and depend on the availability in connection with the pricing of such materials. The overall economic environment is usually a first indicator for any developments in the customers' demand.

### **Other additional information**

Issued capital rose to €235.0 million as of March 31, 2015 (December 31, 2014: €234.0 million) and is divided into 91,806,368 no-par value ordinary bearer shares at €2.56 per share. During the first quarter 2015, a total of 247,095 new shares were issued to employees under the employee bonus plan and 58,842 shares were used to service the entitlements of the participants of the Matching Share Plan. No new SARs from the Stock Appreciation Rights or new Matching shares were granted and no Stock Appreciation Rights were exercised. As of March 31, 2015, there were 2,989,961 SARs, and 24,842 Matching Shares outstanding. SGL Carbon SE held a total of 77,905 of its own shares (treasury shares) as of March 31, 2015. Based on an average number of 91.5 million shares, basic earnings per share amounted to minus €0.18 (Q1/2014: minus €0.34).

### **Subsequent events**

None.

## Sales Revenue and Operating Profit (EBIT) by Reporting Segment

€m	1st Quarter		
	2015	2014	Change
<b>Sales revenue</b>			
Performance Products	128.3	132.6	- 3.2%
Graphite Materials & Systems	104.1	114.8	- 9.3%
Carbon Fibers & Materials	80.0	69.2	15.6%
T&I and Corporate	2.9	2.3	26.1%
<b>SGL Group</b>	<b>315.3</b>	<b>318.9</b>	<b>- 1.1%</b>

€m	1st Quarter		
	2015	2014	Change
<b>EBIT before non-recurring charges<sup>1)</sup></b>			
Performance Products	8.2	4.0	>100.0%
Graphite Materials & Systems	8.9	12.8	- 30.5%
Carbon Fibers & Materials	- 0.7	- 6.9	89.9%
T&I and Corporate	- 11.3	- 9.0	- 25.6%
<b>SGL Group</b>	<b>5.1</b>	<b>0.9</b>	<b>&gt;100.0%</b>

<sup>1)</sup> Non-recurring charges of minus €0.8 million and of minus €2.3 million in the first quarter 2015 and 2014, respectively

# Other Information

## Quarterly Sales Revenue and Operating Profit (EBIT) by Reporting Segment

€m	2014					2015
	Q1	Q2	Q3	Q4	Full year	Q1
<b>Sales revenue</b>						
Performance Products	132.6	141.3	154.9	159.4	588.2	128.3
Graphite Materials & Systems	114.8	119.8	103.4	102.4	440.4	104.1
Carbon Fibers & Materials	69.2	73.1	71.2	82.9	296.4	80.0
T&I and Corporate	2.3	2.1	2.8	3.4	10.6	2.9
<b>SGL Group</b>	<b>318.9</b>	<b>336.3</b>	<b>332.3</b>	<b>348.1</b>	<b>1,335.6</b>	<b>315.3</b>

€m	2014					2015
	Q1	Q2	Q3	Q4	Full year	Q1
<b>EBIT before non-recurring charges<sup>1)</sup></b>						
Performance Products	4.0	2.8	9.4	9.8	26.0	8.2
Graphite Materials & Systems	12.8	15.5	8.9	2.8	40.0	8.9
Carbon Fibers & Materials	-6.9	-5.6	-5.6	-4.4	-22.5	-0.7
T&I and Corporate	-9.0	-12.5	-10.8	-8.5	-40.8	-11.3
<b>SGL Group</b>	<b>0.9</b>	<b>0.2</b>	<b>1.9</b>	<b>-0.3</b>	<b>2.7</b>	<b>5.1</b>

<sup>1)</sup> Non-recurring charges of minus €51.2 million in 2014 and of minus €0.8 million in the first quarter 2015

## Quarterly Return on Sales (based on EBIT) by Reporting Segment

in %	2014					2015
	Q1	Q2	Q3	Q4	Full year	Q1
<b>ROS</b>						
Performance Products	3.0	2.0	6.1	6.1	4.4	6.4
Graphite Materials & Systems	11.1	12.9	8.6	2.7	9.1	8.5
Carbon Fibers & Materials	-10.0	-7.7	-7.9	-5.3	-7.6	-0.9
<b>SGL Group</b>	<b>0.3</b>	<b>0.1</b>	<b>0.6</b>	<b>-0.1</b>	<b>0.2</b>	<b>1.6</b>

## Quarterly Consolidated Income Statement

€m	2014					2015
	Q1	Q2	Q3	Q4	Full year	Q1
<b>Sales revenue</b>	<b>318.9</b>	<b>336.3</b>	<b>332.3</b>	<b>348.1</b>	<b>1,335.6</b>	<b>315.3</b>
Cost of sales	-264.0	-279.9	-279.0	-291.7	-1,114.6	-259.4
<b>Gross profit before non-recurring charges</b>	<b>54.9</b>	<b>56.4</b>	<b>53.3</b>	<b>56.4</b>	<b>221.0</b>	<b>55.9</b>
Selling, administrative, R&D and other operating income/expenses	-54.0	-56.2	-51.4	-56.7	-218.3	-50.8
<b>EBIT before non-recurring charges</b>	<b>0.9</b>	<b>0.2</b>	<b>1.9</b>	<b>-0.3</b>	<b>2.7</b>	<b>5.1</b>
Restructuring expenses/Others	-2.3	-17.4	-4.7	-16.2	-40.6	-0.8
Impairment losses	-	-	-	-10.6	-10.6	-
<b>EBIT</b>	<b>-1.4</b>	<b>-17.2</b>	<b>-2.8</b>	<b>-27.1</b>	<b>-48.5</b>	<b>4.3</b>
Result from investments accounted for At-Equity	-1.1	-2.1	-0.2	-3.0	-6.4	-0.1
Net financing result	-12.9	-4.6	-14.4	-17.6	-49.5	-12.0
<b>Result from continuing operations before income taxes</b>	<b>-15.4</b>	<b>-23.9</b>	<b>-17.4</b>	<b>-47.7</b>	<b>-104.4</b>	<b>-7.8</b>
Income tax expense	-3.6	-5.7	0.4	-12.5	-21.4	-2.3
<b>Result from continuing operations</b>	<b>-19.0</b>	<b>-29.6</b>	<b>-17.0</b>	<b>-60.2</b>	<b>-125.8</b>	<b>-10.1</b>
Result from discontinued operations, net of tax	-4.9	-7.9	-12.1	-94.3	-119.2	-5.1
<b>Result for the period</b>	<b>-23.9</b>	<b>-37.5</b>	<b>-29.1</b>	<b>-154.5</b>	<b>-245.0</b>	<b>-15.2</b>
Attributable to:						
Non-controlling interests	0.5	0.2	0.3	1.0	2.0	1.3
<b>Consolidated net result (attributable to shareholders of the parent company)</b>	<b>-24.4</b>	<b>-37.7</b>	<b>-29.4</b>	<b>-155.5</b>	<b>-247.0</b>	<b>-16.5</b>

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## **Responsibility statement**

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Wiesbaden, April 29, 2015

SGL Carbon SE  
The Board of Management



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## Financial calendar

### April 30, 2015

- Annual General Meeting

### August 6, 2015

- Interim report on the first half year 2015
- Conference call for analysts and investors

### November 5, 2015

- Interim report on the first nine months 2015
- Conference call for analysts and investors

#### Important note

This interim report contains forward-looking statements based on the information currently available to us and on our current projections and assumptions. By nature, forward-looking statements are associated with known and unknown risks and uncertainties, as a consequence of which actual developments and results can deviate significantly from the assessment published in our interim report. Forward-looking statements are not to be understood as guarantees. Rather, future developments and results depend on a number of factors; they entail various risks and unanticipated circumstances and are based on assumptions which may prove to be inaccurate. These risks and uncertainties include, for example, unforeseeable changes in political, economic, legal, and business conditions, particularly relating to our main customer industries, such as electric steel production, to the competitive environment, to interest rate and exchange rate fluctuations, to technological developments, and to other risks and unanticipated circumstances. Other risks that in our opinion may arise include price developments, unexpected developments associated with acquisitions and subsidiaries, and unforeseen risks associated with ongoing cost savings programs. SGL Group assumes no responsibility in this regard and does not intend to adjust or otherwise update these forwardlooking statements.

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