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SGL GROUP
THE CARBON COMPANY

Changing. Improving. Earning.

Report on the first half year 2015

Summary

- H1/2015: Higher recurring EBIT of €15 million (H1/2014: €1 million) on stable sales of €655 million
- Agreement on the sale of the aerostructures business of HITCO leads to impairment
- Savings from SGL2015 reach €26 million in the reporting period and €183 million since the inception of the program
- Outlook on Group earnings for full year 2015 confirmed
- Board of Management and Supervisory Board resolve accelerated growth strategy for the Business Units GMS and CFM as well as legal separation of the Business Unit PP within the SGL Group

Financial highlights (unaudited)

	1st Half Year		
€m	**2015**	2014	Change
Sales revenue	655.1	655.2	0.0%
EBITDA before non-recurring charges	61.1	40.9	49.4%
Operating profit/EBIT before non-recurring charges	15.0	1.1	> 100.0%
Return on sales (EBIT-margin)[1]	2.3%	0.2%	–
Return on capital employed (ROCE $_{\text{EBITDA}}$)[2]	7.2%	4.7%	–
EBIT	9.5	– 18.6	> 100.0%
Consolidated net result (attributable to the shareholders of the parent company)	– 85.0	– 62.1	– 36.9%
Earnings per share – continuing operations, basic and diluted (in €)	– 0.22	– 0.69	68.1%

€m	**June 30, 2015**	Dec. 31, 2014	Change
Total assets	2,067.2	2,170.3	– 4.8%
Equity attributable to the shareholders of the parent company	500.8	567.6	– 11.8%
Net financial debt	522.6	389.9	34.0%
Gearing[3]	1.04	0.69	–
Equity ratio[4]	24.2%	26.2%	–

1) Ratio of EBIT before non-recurring charges to sales revenue

2) 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)

3) Net financial debt divided by equity attributable to the shareholders of the parent company

4) Equity attributable to the shareholders of the parent company divided by total assets

Table of contents

Interim Group Management Report
(unaudited)

Economic Environment

In its World Economic Outlook of July 2015, the International Monetary Fund (IMF) has reduced its global growth forecast for 2015 by 0.2%-points to 3.3%. Thus, the expected growth rate for 2015 is now slightly below the 3.4% that was achieved in the previous two years. In relative terms, especially when compared to the forecast of April 2015, growth prospects for the industrialised countries (minus 0.3%-points) have deteriorated slightly more than for the developing and emerging countries (minus 0.1%-points). The IMF attributes the negative growth revision for the year 2015 mostly to the weak development in the first quarter in North America. Factors such as a very severe winter associated with restrictions in transportation, as well as a significant decline in investment activity in the oil sector have led to a significant downward revision of growth expectations for the USA in 2015 from 3.1% to 2.5%. On the other hand, the underlying driving forces for an acceleration of economic activity are still intact in developed economies. These include favorable financing conditions, a more neutral fiscal policy in the euro zone, lower crude oil prices and a further improvement in labor market conditions.

Overall, with respect to the factors influencing global growth, risks continue to dominate, according to the IMF. Short-term risks are arising from the increased volatility of capital markets and sudden swings in prices of different asset classes. From a medium term point of view, for both the industrialized and emerging economies, the IMF classifies a lower potential output growth as an important risk factor.

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 2.1% in 2015 and 2.4% in 2016. Growth expectations in the emerging countries and developing regions, while considerably stronger at 4.2% in 2015 and 4.7% in 2016, lose momentum as compared to 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, unchanged compared to the forecast of April 2015. The current year‘s growth forecast for Germany, according to the IMF, amounts to 1.6%, which is also unchanged compared to the April forecast. For China, the experts anticipate for this year growth of 6.8%, unchanged compared to the forecast in April, but well below the 7.4% that were achieved in 2014.

For the following year 2016, IMF expects 3.8% growth for global economic output, unchanged compared to the April forecast.

Key events of the business development

Agreement on the sale of the aerostructures business of HITCO leads to impairment in H1/2015

On July 20, 2015, SGL Group concluded an agreement with Toronto listed Avcorp Industries Inc. (Canada) for the sale of the civil and military composite aerostructures business of our subsidiary HITCO Carbon Composites, Inc. (USA). This includes all inventories, equipment, tooling and other fixed assets, intellectual property, contractual rights, and accounts receivables; HITCO's material division is not part of this transaction.

The terms of the agreement result in overall negative disposal proceeds of US$47 million (including repayments of customer advance payments and costs relating to various services to the benefit of the buyer). The purchase consideration is subject to customary adjustments based on the working capital of HITCO and further adjustments.

This leads to a non-cash impairment charge of €53.2 million on the HITCO assets held for sale recorded under discontinued operations in the income statement as of June 30, 2015. The related cash outflow will amount to approx. €40 million, of which the larger part will be payable on closing.

The transaction is subject to customary closing conditions, including approval by the relevant US authorities, the conclusion of ancillary agreements and non-occurrence of a material adverse change until closing, which is expected at the latest by October 16, 2015.

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, since January 1, 2015 onwards, all of our operational activities are bundled in the three reporting segments PP, GMS, and CFM. The central and service functions, research activities and our SGL Excellence activities will be included in the separate reporting segment T&I and Corporate.

Business development

Segment reporting

Reporting segment Performance Products (PP)

	1st Half Year		
€m	**2015**	2014	Change
Sales revenue	269.8	273.9	– 1.5%
EBITDA before non-recurring charges[1]	37.8	26.8	41.0%
EBIT before non-recurring charges[1]	16.9	6.8	> 100.0%
Return on sales	6.3%	2.5%	–
EBIT	12.7	2.5	> 100.0%

[1] Non-recurring charges of minus €4.2 Mio. and minus €4.3 million in the first half year 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, mainly due to the Chinese blast furnace steel overproduction. Due to reduced domestic demand in China, this steel production has increasingly been exported overseas at very low prices, resulting in decreased electric steel production in those areas. Consequently, the demand for graphite electrodes has also receded. In addition, graphite electrode prices declined, driven by lower raw material costs, which substantially declined due to the low crude oil price. Positive currency effects of 9% were able to almost entirely compensate for this development. Accordingly, sales in the reporting segment Performance Products decreased only slightly by 1% in the first half year 2015 to €269.8 million (H1/2014: €273.9 million).

Recurring EBIT in the reporting period more than doubled to €16.9 million (H1/2014: €6.8 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 also more than doubled in the reporting period compared to the prior year period to 6.3% (H1/2014: 2.5%). Savings from SGL2015 amounted to €13.8 million in the first half year 2015, of which €4.6 million are attributable to our SGL Excellence initiative.

As reported earlier, we terminated our graphite electrode production at two 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. Non-recurring expenses of €4.2 million (H1/2014: €4.3 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 €12.7 million in the first half year 2015 (H1/2014: €2.5 million).

Reporting segment Graphite Materials & Systems (GMS)

	1st Half Year		
€m	**2015**	2014	Change
Sales revenue	219.0	234.6	– 6.6%
EBITDA before non-recurring charges[1)]	27.7	38.6	– 28.2%
EBIT before non-recurring charges[1)]	16.6	28.3	– 41.3%
Return on sales	7.6%	12.1%	–
EBIT	16.0	27.9	– 42.7%

[1)] Non-recurring charges of minus €0.6 million and minus €0.4 million in the first half year 2015 and 2014, respectively

Sales in the reporting segment Graphite Materials & Systems decreased by 7% (currency adjusted by 14%) to €219.0 million (H1/2014: €234.6 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 led 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.

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 half year 2015, which was partly compensated by positive currency effects, one-time gains from a land sale and from an insurance compensation. In total, recurring EBIT decreased by 41% to €16.6 million (H1/2014: €28.3 million). The corresponding EBIT margin amounted to 7.6% and was thus below last year's level (H1/2014: 12.1%).

Cost savings from SGL2015 amounted to €6.3 million in the reporting period, of which €4.1 million was attributable to our SGL Excellence initiative.

Restructuring expenses of €0.6 million relating to SGL2015 were incurred in the reporting segment GMS in the reporting period (H1/2014: €0.4 million), mainly due to personnel measures. Therefore EBIT after non-recurring charges amounted to €16.0 million (H1/2014: €27.9 million) in the first half year 2015.

Reporting segment Carbon Fibers & Materials (CFM)

	1st Half Year		
€m	**2015**	2014	Change
Sales revenue	161.0	142.3	13.1%
EBITDA before non-recurring charges[1]	13.9	– 6.5	> 100.0%
EBIT before non-recurring charges[1]	3.2	– 12.5	> 100.0%
Return on sales	2.0%	– 8.8%	–
EBIT	3.1	– 12.7	> 100.0%

[1] Non-recurring charges of minus €0.1 million and minus €0.2 million in the first half year 2015 and 2014, respectively

Sales in the reporting segment Carbon Fibers & Materials increased by 13% (currency adjusted by 7%) to €161.0 million in the first half year 2015 (H1/2014: €142.3 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 half year 2015 due to the increased demand from various customer industries.

In the first half year 2015, recurring EBIT increased substantially to positive €3.2 million from minus €12.5 million in the prior year period, leading to an EBIT margin of 2.0% (H1/2014: minus 8.8%). 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 and improved productivity. Cost savings from SGL2015 amounted to €2.3 million in the reporting period, of which €1.0 million were attributable to our SGL Excellence initiative.

Restructuring expenses of €0.1 million relating to SGL2015 were incurred during the first half year 2015 in the reporting segment CFM (H1/2014: €0.2 million). Accordingly, EBIT after non-recurring charges amounted to €3.1 million in the reporting period (H1/2014: minus €12.7 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)

	1st Half Year		
€m	**2015**	2014	Change
Sales revenue[1]	121.1	100.7	20.3%

[1] Aggregated, unconsolidated 100% values for all equity accounted companies

Sales revenue of all investments accounted for At-Equity increased by 20% in the first half year 2015 to €121.1 million (H1/2014: €100.7 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 21% sales increase in the first half year 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 half year 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 31% in the first half year 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

	1st Half Year		
€m	**2015**	2014	Change
Sales revenue	5.3	4.4	20.5%
EBITDA before non-recurring charges[1]	– 18.3	– 18.0	– 1.7%
EBIT before non-recurring charges[1]	– 21.7	– 21.5	– 0.9%
EBIT	– 22.3	– 36.3	38.6%

[1] Non-recurring charges of minus €0.6 million and minus €14.8 million in the first half year 2015 and 2014, respectively

Recurring EBIT in the reporting segment T&I and Corporate in the first half year 2015 at minus €21.7 million remained on the level of the prior year period (H1/2014: minus €21.5 million). Initial consultancy fees for the optimization program Business Process Excellence and currency effects from the translation of US dollar based administrative costs offset the SGL2015 savings.

SGL2015 savings amounted to €3.5 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 of €0.6 million were incurred in the reporting segment T&I and Corporate in the first half year 2015 (H1/2014: €14.8 million). Accordingly, EBIT after non-recurring charges amounted to minus €22.3 million in the reporting period (H1/2014: minus €36.3 million).

Group business development

Condensed Consolidated Income Statement

	1st Half Year		
€m	2015	2014	Change
Sales revenue	**655.1**	**655.2**	**0.0%**
Gross profit	124.8	111.3	12.1%
Selling, administrative and R&D expense	– 126.8	– 123.2	– 2.9%
Other operating income/expense	17.0	13.0	30.8%
EBIT before non-recurring charges	**15.0**	**1.1**	**> 100.0%**
Restructuring expenses/others	– 5.5	– 19.7	72.1%
EBIT	**9.5**	**– 18.6**	**> 100.0%**
EBITDA before non-recurring charges	**61.1**	**40.9**	**49.4%**

Group sales at €655.1 million remained on the same level as in the prior year period (currency adjusted minus 7%) as the positive sales development in the reporting segment CFM was offset by the sales decline in the Business Unit GMS.

Gross margin at 19.1% was higher than the prior year level of 17.0%, mainly due to the higher gross margin in PP resulting from SGL2015 savings (particularly relating to the termination of our graphite electrode production 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 increased marginally to €126.8 million. SGL2015 savings were offset mainly by currency driven higher US dollar based selling and administrative expenses and by higher consultancy costs relating to our Business Process Excellence initiative.

The balance of other operating income/expense increased from €13.0 million to €17.0 million mainly due to the one-time gain from a land sale and from an insurance claim.

As a result, recurring Group EBIT increased and amounted to €15.0 million in the reporting period after €1.1 million in the previous year. The EBIT margin improved from 0.2% in the first half year 2014 to 2.3% in the reporting period. Cost savings from SGL2015 amounted to €25.9 million in the Group, of which €9.7 million was attributable to our SGL Excellence initiative.

Non-recurring charges in the first half year 2015 totaled minus €5.5 million and relate to restructuring expenses in conjunction with SGL2015. In the prior year period, non-recurring charges amounted to minus €19.7 million. Accordingly, Group EBIT after non-recurring charges reached €9.5 million (H1/2014: minus €18.6 million).

	1st Half Year		
€m	**2015**	2014	Change
EBIT	**9.5**	**– 18.6**	**> 100.0%**
Result from investments accounted for At-Equity	0.0	– 3.2	100.0%
Net financing result	– 24.7	– 17.5	– 41.1%
Result from continuing operations before income taxes	**– 15.2**	**– 39.3**	**61.3%**
Income tax expense	– 3.6	– 9.3	61.3%
Result from continuing operations	**– 18.8**	**– 48.6**	**61.3%**
Result from discontinued operations, net of tax	– 64.9	– 12.8	> – 100.0%
Result for the period	**– 83.7**	**– 61.4**	**– 36.3%**
thereof attributable to:			
Non-controlling interests	1.3	0.7	85.7%
Consolidated net result (attributable to the shareholders of the parent company)	**– 85.0**	**– 62.1**	**– 36.9%**
Earnings per share, basic and dilited (in €)	– 0.93	– 0.87	– 6.9%
Earnings per share continuing operations, basic and diluted (in €)	– 0.22	– 0.69	68.1%

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 each other. 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 €0.0 million in the reporting period compared to the prior year period (H1/2014: minus €3.2 million). Brembo SGL's business performance continued to develop favorably during the half year 2015, which compensated for the losses of the Benteler SGL joint venture. 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

	1st Half Year		
€m	**2015**	2014	Change
Interest income	0.4	0.5	– 20.0%
Interest expense	– 14.5	– 14.7	1.4%
Imputed interest convertible bonds (non-cash)	– 4.5	5.1	> – 100.0%
Imputed interest finance lease (non-cash)	– 0.6	– 0.6	0.0%
Interest expense on pensions	– 4.6	– 5.4	14.8%
Interest expense, net	**– 23.8**	**– 15.1**	**– 57.6%**
Amortization of refinancing costs (non-cash)	– 1.4	– 1.6	12.5%
Other financial income/expense	0.5	– 0.8	> 100.0%
Other financing result	**– 0.9**	**– 2.4**	**62.5%**
Net financing result	**– 24.7**	**– 17.5**	**– 41.1%**

The net financing result decreased in the first half year 2015 to minus €24.7 million after minus €17.5 million in the prior year period due to a positive one-time effect in the first half year 2014. This one-time effect relates to the discounting of the convertible bond 2009/2016 as a result of the non-excercise of the investor put in 2014, which improved the non-cash imputed interest balance by €9.6 million.

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 compared to the prior year.

Result from continuing operations before and after taxes

Due to the developments described above, the result from continuing operations before taxes improved by 61% from minus €39.9 million to minus €15.2 million. After consideration of income taxes of minus €3.6 million (H1/2014: minus €9.3 million), the result from continuing operations of minus €18.8 million improved compared to minus €48.6 million in the first half year 2014.

Result from discontinued operations

Income and expenses incurred in the business unit Aerostructures (AS, HITCO) in 2015 and 2014 are reported separately under discontinued operations. The result from discontinued operations of the period includes impairment charges in the amount of €53.2 million due to write-downs to the fair value less cost of sale of the assets. As a result of the agreement on the sale of HITCO's aerostructures business signed after the balance sheet date and the selling price specified therein, SGL Group conducted event-driven impairment tests on the assets of this business, resulting in a write-down of the carrying amount to reflect the expected amount of net disposal proceeds. Including current operating losses of HITCO, the total result from discontinued operations amounts to minus €64.9 million (H1/14: minus €12.8 million) for the first half year 2015.

Accordingly, the consolidated net result of the period decreased to minus €85.0 million compared to minus €62.1 million in the first half year 2014 (after consideration of non-controlling interests of minus €1.3 million in the reporting period and minus €0.7 million in the first half year 2014).

Balance sheet structure

€m	June 30, 2015	Dec. 31, 2014	Change
ASSETS			
Non-current assets	1,058.9	1,058.7	0.0%
Current assets	973.7	1,033.4	– 5.8%
Assets held for sale	34.6	78.2	– 55.8%
Total assets	**2,067.2**	**2,170.3**	**– 4.8%**
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company	500.8	567.6	– 11.8%
Non-controlling interests	17.4	17.1	1.8%
Total equity	**518.2**	**584.7**	**– 11.4%**
Non-current liabilities	1,033.6	1,083.1	– 4.6%
Current liabilities	458.7	445.0	3.1%
Liabilities associated with assets held for sale	56.7	57.5	– 1.4%
Total equity and liabilities	**2,067.2**	**2,170.3**	**– 4.8%**

Altogether, total assets as of June 30, 2015, decreased marginally compared to December 31, 2014 despite positive currency effects totaling €95.4 million.

Non current assets as of June 30, 2015, were on the same level as at year end 2014. Currency effects increased fixed assets by €25.4 million. In contrast, depreciation, which was €15.9 million higher than capital expenditures, decreased fixed assets. In total, fixed assets increased by €9.1 million to €903.0 million. This development was partially offset by the lower book value of investments accounted for At-Equity, which decreased by €5.9 million mainly as a result of a dividend payment.

Among current assets, the €49.3 million increase in trade receivables, inventories, and other receivables was more than offset by the lower liquidity, which decreased by €109.0 million.

The reduction in non current liabilities and the increase in current liabilities is, on one hand, related to the adjustment of the discount rate for the calculation of pension provisions in Germany (to 2.25% from 2%) and the USA (to 4.5% from 4%) to the higher interest rate environment expected in the long term, which reduced pension provisions by €23.8 million. On the other hand, provisions for tax liabilities relating to tax audits amounting to €40.7 million were reclassified to current from non current liabilities in anticipation of a settlement in the short term. Additionally, the book value of the convertible bond 2009/2016 totaling €129.7 million was also reclassified to current from non current liabilities due to its maturity in less than one year. The presentation of the liabilities of SGL ACF had an opposite effect: at year end 2014, the debt was classified as current; following the refinancing at the end of June 2015 and the therein agreed maturity of the debt at end 2018, the financial debt of SGL ACF amounting to €133.8 million is now presented as non current.

The development of the assets held for sale includes the adjustment of the book value of the Business Unit AS to the fair value minus selling expenses. An agreement to sell HITCO's aerostructures business, which was concluded after the balance sheet date, to an acquirer and the negative disposal proceeds (including repayment of customer advance payments) agreed therein, led to an impairment charge of €53.2 million on the assets of the Business Unit AS, which was recorded in the results from discontinued operations. A table presenting the book values of the main groups of assets/liabilities held for sale can be found in the notes to this condensed interim report.

Working Capital

€m	June 30, 2015	Dec. 31, 2014	Change
Inventories	497.6	463.3	7.4%
Trade receivables	176.6	175.5	0.6%
Trade payables	– 135.0	– 176.4	23.5%
Working Capital	**539.2**	**462.4**	**16.6%**

Adjusted for currency effects of €12.3 million, working capital still increased by 13.9% or €64.5 million in the first half year 2015. This development reflects some seasonal shipment patterns as well as the subdued demand at the beginning of this year. In addition, we expect slightly higher shipments in the second half of this year. The decrease in trade payables relates to lower raw material costs as well as the declining capital expenditures.

Changes in equity

As of June 30, 2015, equity attributable to the shareholders of the parent company amounted to €500.8 million (December 31, 2014: €567.6 million). The reduction is due to the negative consolidated net result of €85.0 million, which was burdened with losses from discontinued operations in the amount of €64.9 million. Opposing effects resulted mainly from the adjustment of the interest rate for pension provision calculations in Germany and the USA to the higher interest rate environment, which increased equity by €15.8 million (after tax). Currency effects had no impact on equity.

Overall, the equity ratio slightly declined to 24.2% compared to 26.2% as of December 31, 2014.

Net financial debt

€m	June 30, 2015	Dec. 31, 2014	Change
Carrying amount of current and non-current financial liabilities	733.9	704.8	4.1%
Remaining imputed interest for the convertible bonds	17.0	21.5	– 20.9%
Accrued refinancing cost	10.2	11.1	– 8.1%
Total financial debt (nominal amount)	**761.1**	**737.4**	**3.2%**
Time deposits	100.5	40.5	> 100.0%
Cash and cash equivalents	138.0	307.0	– 55.0%
Total liquidity	**238.5**	**347.5**	**– 31.4%**
Net financial debt	**522.6**	**389.9**	**34.0%**
thereof: SGL ACF			
Current and non-current financial liabilities	133.8	110.5	21.1%
Cash and cash equivalents	7.2	11.0	– 34.5%
Net financial debt SGL ACF	**126.6**	**99.5**	**27.2%**
Net financial debt without SGL ACF	**396.0**	**290.4**	**36.4%**

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 June 30, 2015, increased by €132.7 million or 34% to €522.6 million, due to the increase of financial liabilities of SGL ACF by €23.3 million (increase net of currency effects: €15.2 million), and due to the decrease in liquidity to €238.5 million compared to €347.5 million at year-end 2014. This development is mainly attributable to the buildup of working capital as well as to one-time cash outflows in connection with the settlement of US dollar currency hedges. These currency hedges were settled in the first half year 2015 because the originally expected and thus hedged US dollar cash inflows from Hitco will not materialize.

Free cash flow

	1st Half Year	
€m	**2015**	2014
Cash flow from operating activities		
Result before taxes	–15.2	–39.3
Restructuring expenses	5.5	13.2
Depreciation and amortization expense	46.0	39.8
Changes in working capital (net)	–64.6	–33.6
Miscellaneous items	–57.1	–3.2
Cash flow from operating activities-continuing operations	**–85.4**	**–23.1**
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant and equipment (without SGL ACF)	–21.4	–24.5
Payments to purchase intangible assets and property, plant and equipment (SGL ACF)	–8.7	–36.0
Proceeds from sale of intangible assets and property, plant and equipment	3.0	1.8
Dividend payments from investments accounted for At-Equity	7.0	–
Payments for capital contributions concerning investments accounted for At-Equity and payments for other financial assets	–0.7	–3.8
Cash flow from investing activities-continuing operations	**–20.8**	**–62.5**
Free cash flow [1]	*–106.2*	–85.6

[1] Defined as cash flow from operating activities minus cash flow from investing activities (continuing operations)

In the first half year 2015, cash flow from operating activities – continuing operations – amounted to minus €85.4 million after minus €23.1 million in the prior year period, mainly due the 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 US dollar hedges mentioned above, and higher interest payments in the reporting period as compared to the prior year period. During the prior year period, no interest payments for the corporate bond issued in December 2013 were made as the first interest payment was due in July 2014.

Capital expenditures in intangible assets and property, plant and equipment decreased by 50% to €30.1 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 finalized, and, on the other hand, the stringent investment policy applied to our established businesses.

Total free cash flow in the reporting period deteriorated to minus €106.2 million compared to the prior year period (H1/2014: minus €85.6 million).

Employees

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

Headcount	**June 30, 2015**	Dec. 31, 2014	Change
Performance Products	1,883	1,990	– 5.4%
Graphite Materials & Systems	2,548	2,641	– 3.5%
Carbon Fibers & Materials	1,086	1,054	3.0%
T&I and Corporate	171	174	– 1.7%
Total continuing operations	**5,688**	**5,859**	**– 2.9%**
Discontinued operations (HITCO)	496	483	2.7%
Total SGL Group	**6,184**	**6,342**	**– 2.5%**

Headcount	**June 30, 2015**	Dec. 31, 2014	Change
Germany	2,226	2,259	– 1.5%
Europe excluding Germany	1,904	1,997	– 4.7%
North America	849	864	– 1.7%
Asia	709	739	– 4.1%
Total continuing operations	**5,688**	**5,859**	**– 2.9%**
Discontinued operations (HITCO)	496	483	2.7%
Total SGL Group	**6,184**	**6,342**	**– 2.5%**

The number of employees in our continuing businesses amounted to 5,688 as of June 30, 2015 (December 31, 2014: 5,859). The decline of 171 employees in the first half year 2015 reflects continuing effects from the implementation of SGL2015 measures, mainly resulting from the termination of our graphite electrode production in Narni (Italy). Including the discontinued activities, the number of employees at SGL Group totaled 6,184 as of June 30, 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 721, 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 administrative 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 and increase the volatility and uncertainty in the global capital markets. Governmental policy-driven regulatory measures in relation to tax increases 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. A reversal of raw material prices could negatively impact profit margins.

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.

The risk situation in the reporting segment Carbon Fibers & Materials continues to arise from the unstable demand for industrial carbon fibers. We continue to believe that the fundamental medium to long term growth trends for lightweight materials, particularly in the automobile sector, will remain. 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 agreement on the sale of the aerostructures business of HITCO dated July 20, 2015, bears risks in regards to the final sale consideration; latter is subject to adjustments based on working capital. In addition, risks also arise in regards to the execution of this sales agreement, in particular with respect to the conclusion of ancillary agreements.

As pointed out in our notification dated July 20, 2015, we expect on the basis of an imminent settlement with a tax authority a cash outflow in the amount of €35 million in the second half year 2015, compared to a tax provision of €41 million. The final outcome might be different from the expected settlement. Furthermore, SGL Group is subject to regular tax audits.

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. The redemption of the convertible notes due in June 2016 with an outstanding amount of €130 million as of June 30, 2015, should be ensured in a timely fashion by applying a stringent liquidity policy and a rolling liquidity and financing planning.

Based on the information available at the present time, in our opinion 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.

Outlook

Reporting segment Performance Products (PP)

Sales in our reporting segment Performance Products (PP) should stabilize on the level of the prior year. For graphite electrodes, we anticipate lower demand with prices adjusting to lower raw material costs. 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 still low price levels. The aluminum market is also impacted by rising Chinese exports; here we have been successful at entering the Chinese market with our cathodes. In addition, we anticipate further positive currency effects.

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. Due to this large order in the prior year and against the backdrop of a slightly weaker order intake in the first half year 2015, we expect, in aggregate, a stable sales development.

EBIT of the prior year also benefited from the big ticket order. In combination with the subdued order intake in the first half of this year, we expect EBIT to decline by a mid to high single digit million € amount compared to the previous year.

Reporting segment Carbon Fibers & Materials (CFM)

Slight growth is anticipated for our reporting segment Carbon Fibers & Materials (CFM), which above all benefits 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 is benefitting both from the 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 Group earnings 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 and higher demand in the Business Unit CFM. 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, recurring Group EBITDA and recurring Group EBIT should significantly improve year over year.

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 €183 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 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. Final restructuring expenses relating to SGL2015 will amount to a high single digit million € amount this year. Together with optimization measures in the context of the strategic realignment as announced on July 7, 2015, we expect total restructuring expenses to amount to a low double digit million € figure.

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. Against the backdrop of a settlement expected in the near term with regard to risks relating to tax audits, we anticipate a cash outflow of €35 million in the second half of this year. 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 free cash flow from continuing operations in 2015. A large part of this development already took place in the first half year 2015.

On the whole, net debt will be significantly higher at year end 2015 than at year end 2014.

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, has largely been 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, August 6, 2015

SGL Carbon SE
The Board of Management

Condensed Consolidated Interim Financial Statements (unaudited)

Consolidated Income Statement

	2nd Quarter			1st Half Year		
€m	**2015**	2014	Change	**2015**	2014	Change
Sales revenue	**339.8**	**336.3**	**1.0%**	**655.1**	**655.2**	**0.0%**
Cost of sales	– 270.9	– 279.9	3.2%	– 530.3	– 543.9	2.5%
Gross profit	**68.9**	**56.4**	**22.2%**	**124.8**	**111.3**	**12.1%**
Selling expenses	– 40.1	– 34.9	– 14.9%	– 76.3	– 70.7	– 7.9%
Research and development costs	– 9.6	– 9.9	3.0%	– 18.9	– 20.3	6.9%
General and administrative expenses	– 15.8	– 16.9	6.5%	– 31.6	– 32.2	1.9%
Other operating income	18.0	8.5	> 100.0%	38.2	18.6	> 100.0%
Other operating expenses	– 11.5	– 9.5	– 21.1%	– 21.2	– 12.1	– 75.2%
Restructuring expenses	– 4.7	– 10.9	56.9%	– 5.5	– 13.2	58.3%
Operating profit/loss	**5.2**	**– 17.2**	**> 100.0%**	**9.5**	**– 18.6**	**> 100.0%**
Result from investments accounted for At-Equity	0.1	– 2.1	> 100.0%	0.0	– 3.2	100.0%
Interest income	0.3	0.2	50.0%	0.4	0.5	– 20.0%
Interest expense	– 12.3	– 2.9	> – 100.0%	– 24.2	– 15.6	– 55.1%
Other financing result	– 0.7	– 1.9	63.2%	– 0.9	– 2.4	62.5%
Result from continuing operations before income taxes	**– 7.4**	**– 23.9**	**69.0%**	**– 15.2**	**– 39.3**	**61.3%**
Income tax expense	– 1.3	– 5.7	77.2%	– 3.6	– 9.3	61.3%
Result from continuing operations	**– 8.7**	**– 29.6**	**70.6%**	**– 18.8**	**– 48.6**	**61.3%**
Result from discontinued operations, net of tax	– 59.8	– 7.9	> – 100.0%	– 64.9	– 12.8	> – 100.0%
Net result for the period	**– 68.5**	**– 37.5**	**– 82.7%**	**– 83.7**	**– 61.4**	**– 36.3%**
thereof attributable to:						
Non-controlling interests	0.0	0.2	– 100.0%	1.3	0.7	85.7%
Consolidated net result (attributable to the shareholders of the parent company)	**– 68.5**	**– 37.7**	**– 81.7%**	**– 85.0**	**– 62.1**	**– 36.9%**
Earnings per share, basic and diluted (in €)	– 0.75	– 0.53	– 41.5%	– 0.93	– 0.87	– 6.9%
Earnings per share – continuing operations, basic and diluted (in €)	– 0.10	– 0.42	76.2%	– 0.22	– 0.69	68.1%

Consolidated Statement of Comprehensive Income

	2nd Quarter		1st Half Year	
€m	**2015**	2014	**2015**	2014
Result for the period	**– 68.5**	**– 37.5**	**– 83.7**	**– 61.4**
Items that may be reclassified subsequently to profit or loss				
Changes in the fair value of securities available	0.0	0.1	0.0	0.1
Cash flow hedges[1]	0.8	– 0.5	– 0.9	– 1.2
Currency translation	– 25.7	8.4	0.6	8.0
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains/losses on defined benefit plans and similar obligations[2]	34.0	– 20.1	13.6	– 20.1
Other comprehensive income	**9.1**	**– 12.1**	**13.3**	**– 13.2**
Comprehensive income	**– 59.4**	**– 49.6**	**– 70.4**	**– 74.6**
of which attributable to the shareholders of the parent company	*– 59.1*	*– 49.9*	*– 72.2*	*– 75.4*
of which attributable to non-controlling interests	*– 0.3*	*0.3*	*1.8*	*0.8*

1) Includes tax effects of €0.5 million (2014: €0.8 million) in the first half year
2) Includes tax effects of minus €8.0 million (2014: €9.4 million) in the first half year

Consolidated Balance Sheet

ASSETS €m	June 30, 2015	Dec. 31, 2014	Change
Non-current assets			
Goodwill	22.5	21.1	6.6%
Other intangible assets	23.4	24.2	– 3.3%
Property, plant and equipment	903.0	893.9	1.0%
Investments accounted for At-Equity	35.8	41.7	– 14.1%
Other non-currents assets	8.3	8.4	– 1.2%
Deferred tax assets	65.9	69.4	– 5.0%
	1,058.9	**1,058.7**	**0.0%**
Current assets			
Inventories	497.6	463.3	7.4%
Trade receivables	176.6	175.5	0.6%
Other receivables and other assets	61.0	47.1	29.5%
Liquidity	238.5	347.5	– 31.4%
Time deposits	*100.5*	*40.5*	*> 100.0%*
Cash and cash equivalents	*138.0*	*307.0*	*– 55.0%*
	973.7	**1,033.4**	**– 5.8%**
Assets held for sale	**34.6**	**78.2**	**– 55.8%**
Total assets	**2,067.2**	**2,170.3**	**– 4.8%**

EQUITY AND LIABILITIES €m	June 30, 2015	Dec. 31, 2014	Change
Equity			
Issued capital	234.8	234.0	0.3%
Capital reserves	919.0	914.4	0.5%
Accumulated losses	– 653.0	– 580.8	– 12.4%
Equity attributable to the shareholders of the parent company	**500.8**	**567.6**	**– 11.8%**
Non-controlling interests	17.4	17.1	1.8%
Total equity	**518.2**	**584.7**	**– 11.4%**
Non-current liabilities			
Provisons for pensions and similar employee benefits	365.1	384.7	– 5.1%
Other provisions	12.1	53.7	– 77.5%
Interest-bearing loans	602.0	592.2	1.7%
Other liabilities	54.4	52.5	3.6%
	1,033.6	**1,083.1**	**– 4.6%**
Current liabilities			
Other provisions	146.1	98.6	48.2%
Current portion of interest-bearing loans	131.9	112.6	17.1%
Trade payables	135.0	176.4	– 23.5%
Other liabilities	45.7	57.4	– 20.4%
	458.7	**445.0**	**3.1%**
Liabilities in connection with assets held for sale	**56.7**	**57.5**	**– 1.4%**
Total equity and liabilities	**2,067.2**	**2,170.3**	**– 4.8%**

Consolidated Cash Flow Statement

	1st Half Year	
€m	**2015**	2014
Cash flow from operating activities		
Result before tax from continuing operations	– 15.2	– 39.3
Adjustments to reconcile the result from continuing operations to cash flow from operating activities:		
Interest expense (net)	23.8	15.2
Gain on disposal of property, plant and equipment	– 2.6	– 0.9
Depreciation and amortization expense	46.0	39.8
Restructuring expenses	5.5	13.2
Result from investments accounted for At-Equity	0.0	3.2
Amortization of refinancing costs	1.4	1.6
Interest received	0.3	0.5
Interest paid	– 18.1	– 11.0
Income taxes paid	– 6.4	– 1.8
Changes in provisions, net	– 6.8	27.2
Changes in working capital		
Inventories	– 21.2	– 4.3
Trade receivables	2.5	– 5.7
Trade payables	– 45.9	– 23.6
Changes in other operating assets and other liabilities	– 48.7	– 37.2
Cash flow from operating activities – continuing operations	**– 85.4**	**– 23.1**
Cash flow from operating activities – discontinued operations	– 15.6	– 12.5
Cash flow from operating activities – continuing and discontinued operations	**– 101.0**	**– 35.6**

	1st Half Year	
€m	**2015**	2014
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant and equipment	– 30.1	– 60.5
Proceeds from sale of intangible assets and property, plant and equipment	3.0	1.8
Dividend payments from investments accounted for At-Equity	7.0	–
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	– 0.7	– 3.8
Cash flow from investing activities – continuing operations	**– 20.8**	**– 62.5**
Changes in time deposits	– 60.0	– 0.4
Cash flow from investing activities and cash management activities – continuing operations	**– 80.8**	**– 62.9**
Cash flow from investing activities and cash management activities – discontinued operations	– 2.3	– 3.8
Cash flow from investing activities and cash management activities – continuing and discontinued operations	**– 83.1**	**– 66.7**
Cash flow from financing activities		
Proceeds from issuance of financial liabilities	143.3	32.2
Repayment of financial liabilities	– 127.8	– 2.6
Payments in connection with financing activities/others	– 1.3	– 1.1
Cash flow from financing activities	**14.2**	**28.5**
Effect of foreign exchange rate changes	0.9	0.2
Net change in cash and cash equivalents	**– 169.0**	**– 73.6**
Cash and cash equivalents at beginning of period	307.0	235.1
Cash and cash equivalents at end of period	**138.0**	**161.5**
Time deposits	100.5	0.4
Total liquidity	**238.5**	**161.9**

Condensed Consolidated Statement of Changes in Equity

€m	1st Half Year 2015 Shareholders' equity	Non-controlling interests	Total equity
Balance at January 1	**567.6**	**17.1**	**584.7**
Capital increase from share-based payment plans	**5.4**	**0.0**	**5.4**
Dividends	**0.0**	**–1.0**	**–1.0**
Result for the period	–85.0	1.3	–83.7
Other comprehensive income	12.8	0.5	13.3
Total comprehensive income	**–72.2**	**1.8**	**–70.4**
Other changes in equity[1)]	0.0	–0.5	–0.5
Balance at June 30	**500.8**	**17.4**	**518.2**

€m	1st Half Year 2014 Shareholders' equity	Non-controlling interests	Total equity
Balance at January 1	**607.7**	**16.2**	**623.9**
Capital increase from share-based payment plans	**6.0**	**0.0**	**6.0**
Result for the period	–62.1	0.7	–61.4
Other comprehensive income	–13.3	0.1	–13.2
Total comprehensive income	**–75.4**	**0.8**	**–74.6**
Other changes in equity[1)]	0.0	–1.0	–1.0
Balance at June 30	**538.3**	**16.0**	**554.3**

1) In particular in connection with non-controlling interests in subsidiary partnerships

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 June 30, 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 August 6, 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 is reported as such. The business unit Carbon Fibers & Composite Materials (CF/CM) remains unchanged and continues 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 are bundled in the three reporting segments PP, GMS, and CFM since January 1, 2015.

In addition to the operating segments, the central and service functions, research activities and our SGL Excellence activities will 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 June 30, 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:

	1st Half Year	
€m	**2015***	2014*
Total revenue from discontinued operations	48.2	34.7
Total expenses from discontinued operations	–61.8	–46.5
Result from operating activities of discontinued operations, before income taxes	**–13.6**	**–11.8**
Attributable tax income/expense	1.9	–1.0
Result from operating activities of discontinued operations, net of tax	**–11.7**	**–12.8**
Impairment losses arising on the measurement of assets included in disposal groups at fair value less costs to sell	–53.2	–
Result from discontinued operations	**–64.9**	**–12.8**
Earnings per share - discontinued operations in € – basic and diluted	**–0.71**	**–0.18**

* The result from operating activities of discontinued operations for the year represents the result for the period from January 1 to June 30

The units classified as discontinued operations are measured at fair value less cost to sale. The fair value is determined initially on the basis of sufficiently concrete purchase bids, if available. On July 20, 2015, an agreement on the sale of the aerostructures business of HITCO was concluded. As a result, the assets of the disposal group AS were impaired by €53.2 million (before and after tax). This is disclosed in the result from discontinued operations.

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	**June 30, 2015**	Dec. 31, 2014	Change
Property, plant and equipment	20.8	38.9	– 46.5%
Inventories	5.5	28.3	– 80.6%
Trade accounts receivable and other assets	8.3	11.0	– 24.5%
Assets held for sale	**34.6**	**78.2**	**– 55.8%**
Trade accounts payable and other liabilities	51.6	51.3	0.6%
Provisions	5.1	6.2	– 17.7%
Liabilities in connection with assets held for sale	**56.7**	**57.5**	**– 1.4%**

Pension Obligations

As of June 30, 2015, SGL Group adjusted the pension discount rate in Germany and the US by 0.25%-points and 0.50%-points, respectively, as a consequence of increased long-term interest rate levels. As of June 30, 2015, the discount rates are 2.25% in Germany (Dec 31, 2014: 2.0%) and 4.5% in USA (Dec 31, 2014: 4.0%). The discount rate adjustment resulted in actuarial gains of €23.8 million and a corresponding opposing deferred tax effect of €8.0 million, which have been included in other comprehensive income in the first half year 2015, thereby increasing equity by €15.8 million.

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.

	1st Half Year	
€m	**2015**	2014
Income Statement		
Sales revenue	89.2	72.3
Operating profit/loss	8.0	6.6
Net result for the period (100%)	1.8	–1.9
Share of SGL Group in the net result for the period (50%)	0.9	–1.0
Balance sheet	**June 30, 2015**	**Dec. 31, 2014**
Non-current assets	74.8	74.6
Current assets	72.3	92.8
thereof cash and cash equivalents	8.3	27.8
Non-current liabilities	45.3	51.3
thereof financial liabilities	38.4	40.9
Current liabilities	45.0	47.2
thereof financial liabilities	9.5	8.4
Net assets (100%)	**56.8**	**68.9**
Share of SGL Group in net assets (50%)	28.4	34.5
Goodwill/customer base	3.9	4.0
Carrying amount of material joint ventures	32.3	38.5

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

	1st Half Year	
€m	2015	2014
Ownership interests	**50%**	**50%**
Carrying amount of interest in joint ventures – beginning of year	**38.5**	**31.2**
Share in net result of the period	0.9	–1.0
Other adjustments affecting other comprehensive income	–0.1	0.0
Total comprehensive income of the companies	**0.8**	**–1.0**
Capital measures/dividends/other adjustments	–7.0	0.5
Carrying amount of interests in major joint ventures – end of period	**32.3**	**30.8**

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[1]
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[2]
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

[1] Thereof €0.7 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

[2] Thereof €1.0 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 June 30, 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)	138.0	138.0				307.0
1)	100.5	100.5				40.5
1)	176.6	176.6				175.5
2)	5.1		5.1			4.7
1)	1.5	1.5				1.7
3)	0.7			0.7		0.7
n.a.	0.5		0.5			1.3
4)	250.0	250.0				250.0
4)	357.7	357.7				353.2
4)	136.4	136.4				112.6
4)	– 10.2	– 10.2				– 11.0
n.a.	20.5				20.5	20.5
4)	135.0	135.0				176.4
4)	30.0	30.0				30.0
5)	1.0			1.0		12.0
n.a.	5.1		5.1			2.0
	416.6	416.6				524.7
	5.1		5.1			4.7
	0.7			0.7		0.7
	898.9	898.9				911.2
	1.0			1.0		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:

	June 30, 2015			
	Level 1	Level 2	Level 3	**Total**
Available-for-sale financial assets	5.1	–	–	5.1
Derivative financial assets	–	1.2	–	1.2
Derivative financial liabilities	–	6.1	–	6.1

	December 31, 2014			
	Level 1	Level 2	Level 3	**Total**
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 €263.4 million as of June 30, 2015 (December 31, 2014: €259.9 million). The fair market value of the convertible bonds 2009/2016 and 2012/2018 as of June 30, 2015 was €135.7 million and €232.7 million, respectively (December 31, 2014: €134.1 million and €223.2 million, respectively).

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 June 30, 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 half year 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 June 30, 2015, there were 2,919,161 SARs, and 23,667 Matching Shares outstanding. SGL Carbon SE held a total of 77,905 of its own shares (treasury shares) as of June 30, 2015. Based on an average number of 91.6 million shares, basic earnings per share amounted to minus €0.93 (H1/2014: minus €0.87).

The result from continuing operations of the reporting period includes impairment losses on property, plant and equipment in the amount of €3.7 million (H1/2014: €0.0 million).

Subsequent events

SGL Group defines further strategic milestones for long-term profitable growth

On July 7, 2015, the Board of Management and the Supervisory Board of SGL Group defined further strategic milestones to secure long-term profitable growth. Firstly, an extensive growth initiative has been decided for the business units Graphite Materials & Systems (GMS) and Carbon Fibers & Materials (CFM) targeted to organically increase sales by approx. 50 % until 2020 compared with 2014. In addition, selective accretive bolt-on acquisitions are planned to complement SGL Group's portfolio in terms of technology and market positions. Secondly, the business unit Performance Products (PP) will become a separate legal entity within SGL Group. This measure will enable the unit to optimally adapt its business model to the changed market fundamentals especially in graphite electrodes. In addition, this step allows greater flexibility for various strategic options. These decisions represent a further development of SGL Group's strategy which started in fall 2013 with the group-wide cost savings program SGL2015 and continued in September 2014 with the announcement of the key strategic cornerstones. The implementation of this announced strategic realignment will incur further one-time charges from the second half year 2015 onwards, which we will also report under restructuring/non-recurring charges.

Agreement on the sale of the aerostructures business of HITCO

On July 20, 2015, the SGL Group concluded an agreement with Toronto-listed Avcorp Industries Inc. (Canada) on the sale of HITCO's business of manufacturing composite structural parts for commercial and military aerostructures. This includes all assets and liabilities of this operative business. HITCO's assets and liabilities as well as the related income and expenses are disclosed as discontinued operations in the reporting period. The terms of the agreement result in overall negative disposal proceeds of US$47 million (including repayments of customer advance payments and costs relating to various services to the benefit of the buyer) and lead to an impairment charge on HITCO's assets in the reporting period. The transaction is subject to the approval by the relevant US authorities, the conclusion of ancillary agreements and non-occurrence of a material adverse change until closing, which is expected during the second half of 2015.

Sales Revenue and Operating Profit/Loss (EBIT) by Reporting Segment

	1st Half Year		
€m	**2015**	2014	Change
Sales revenue			
Performance Products	269.8	273.9	– 1.5%
Graphite Materials & Systems	219.0	234.6	– 6.6%
Carbon Fibers & Materials	161.0	142.3	13.1%
T&I and Corporate	5.3	4.4	20.5%
SGL Group	**655.1**	**655.2**	**0.0%**

	1st Half Year		
€m	**2015**	2014	Change
EBIT before non-recurring charges [1]			
Performance Products	16.9	6.8	> 100.0%
Graphite Materials & Systems	16.6	28.3	– 41.3%
Carbon Fibers & Materials	3.2	– 12.5	> 100.0%
T&I and Corporate	– 21.7	– 21.5	– 0.9%
SGL Group	**15.0**	**1.1**	**> 100.0%**

[1] Non-recurring charges of minus €5.5 million and of minus €19.7 million in the first half year 2015 and 2014, respectively

Other Information

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

	2014					2015		
€m	Q1	Q2	Q3	Q4	Full year	Q1	Q2	1st half
Sales revenue								
Performance Products	132.6	141.3	154.9	159.4	588.2	128.3	141.5	269.8
Graphite Materials & Systems	114.8	119.8	103.4	102.4	440.4	104.1	114.9	219.0
Carbon Fibers & Materials	69.2	73.1	71.2	82.9	296.4	80.0	81.0	161.0
T&I and Corporate	2.3	2.1	2.8	3.4	10.6	2.9	2.4	5.3
SGL Group	**318.9**	**336.3**	**332.3**	**348.1**	**1,335.6**	**315.3**	**339.8**	**655.1**

	2014					2015		
€m	Q1	Q2	Q3	Q4	Full year	Q1	Q2	1st half
EBIT before non-recurring charges [1]								
Performance Products	4.0	2.8	9.4	9.8	26.0	8.2	8.7	16.9
Graphite Materials & Systems	12.8	15.5	8.9	2.8	40.0	8.9	7.7	16.6
Carbon Fibers & Materials	– 6.9	– 5.6	– 5.6	– 4.4	– 22.5	– 0.7	3.9	3.2
T&I and Corporate	– 9.0	– 12.5	– 10.8	– 8.5	– 40.8	– 11.3	– 10.4	– 21.7
SGL Group	**0.9**	**0.2**	**1.9**	**– 0.3**	**2.7**	**5.1**	**9.9**	**15.0**

[1] Non-recurring charges of minus €51.2 million in 2014 and minus 5.5 million € in the first half year 2015

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

	2014					2015		
in %	Q1	Q2	Q3	Q4	Full year	Q1	Q2	1st half
ROS								
Performance Products	3.0	2.0	6.1	6.1	4.4	6.4	6.1	6.3
Graphite Materials & Systems	11.1	12.9	8.6	2.7	9.1	8.5	6.7	7.6
Carbon Fibers & Materials	– 10.0	– 7.7	– 7.9	– 5.3	– 7.6	– 0.9	4.8	2.0
SGL Group	**0.3**	**0.1**	**0.6**	**– 0.1**	**0.2**	**1.6**	**2.9**	**2.3**

Quarterly Consolidated Income Statement

	2014					2015		
€m	Q1	Q2	Q3	Q4	Full year	Q1	Q2	1st half
Sales revenue	**318.9**	**336.3**	**332.3**	**348.1**	**1,335.6**	**315.3**	**339.8**	**655.1**
Cost of sales	– 264.0	– 279.9	– 279.0	– 291.7	– 1,114.6	– 259.4	– 270.9	– 530.3
Gross profit before non-recurring charges	**54.9**	**56.4**	**53.3**	**56.4**	**221.0**	**55.9**	**68.9**	**124.8**
Selling, administrative, R&D and other operating income/expenses	– 54.0	– 56.2	– 51.4	– 56.7	– 218.3	– 50.8	– 59.0	– 109.8
EBIT before non-recurring charges	**0.9**	**0.2**	**1.9**	**– 0.3**	**2.7**	**5.1**	**9.9**	**15.0**
Restructuring expenses/others	– 2.3	– 17.4	– 4.7	– 16.2	– 40.6	– 0.8	– 4.7	– 5.5
Impairment losses	–	–	–	– 10.6	– 10.6	–	–	–
EBIT	**– 1.4**	**– 17.2**	**– 2.8**	**– 27.1**	**– 48.5**	**4.3**	**5.2**	**9.5**
Result from investments accounted for At-Equity	– 1.1	– 2.1	– 0.2	– 3.0	– 6.4	– 0.1	0.1	0.0
Net financing result	– 12.9	– 4.6	– 14.4	– 17.6	– 49.5	– 12.0	– 12.7	– 24.7
Result from continuing operations before income taxes	**– 15.4**	**– 23.9**	**– 17.4**	**– 47.7**	**– 104.4**	**– 7.8**	**– 7.4**	**– 15.2**
Income tax expense	– 3.6	– 5.7	0.4	– 12.5	– 21.4	– 2.3	– 1.3	– 3.6
Result from continuing operations	**– 19.0**	**– 29.6**	**– 17.0**	**– 60.2**	**– 125.8**	**– 10.1**	**– 8.7**	**– 18.8**
Result from discontinued operations, net of tax	– 4.9	– 7.9	– 12.1	– 94.3	– 119.2	– 5.1	– 59.8	– 64.9
Result for the period	**– 23.9**	**– 37.5**	**– 29.1**	**– 154.5**	**– 245.0**	**– 15.2**	**– 68.5**	**– 83.7**
thereof attributable to:								
Non-controlling interests	0.5	0.2	0.3	1.0	2.0	1.3	0.0	1.3
Consolidated net result (attributable to shareholders of the parent company)	**– 24.4**	**– 37.7**	**– 29.4**	**– 155.5**	**– 247.0**	**– 16.5**	**– 68.5**	**– 85.0**

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, August 6, 2015

SGL Carbon SE
The Board of Management

Financial calendar

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.

Investor Relations contact

SGL CARBON SE
Head Office | Investor Relations
Söhnleinstrasse 8
65201 Wiesbaden/Germany
Phone: +49 611 6029-103
Fax: +49 611 6029-101
E-Mail: Investor-Relations@sglgroup.com
www.sglgroup.com

SGL GROUP
THE CARBON COMPANY