sgl carbon

2018

Report on the first half year

Summary

H1/2018 impacted by high positive one-time effects particularly relating to the initial adoption of IFRS 15 as well as in Q1/2018 the complete acquisition of the former JVs with BMW Group and Benteler

Group sales increase of 22% to €529 million. Nearly half of the increase driven by strong organic growth in the market segments mobility, chemicals, industrial applications, and digitization

Group recurring EBIT nearly doubled from €23 million in H1/2017 to €44 million in H1/2018 (including IFRS 15 effects of €11 million)

Slight increase in guidance: Net result in low to mid double digit million € range (previously: low double digit) resulting from higher EBIT expectation including additional IFRS 15 impacts

Financial highlights

€ million	1st Half Year 2018	2017	Change
Sales revenue	529.3	435.3	21.6%
EBITDA before non-recurring items	75.0	47.1	59.2%
Operating profit (EBIT) before non-recurring items (recurring EBIT)	44.2	22.5	96.4%
Return on sales (EBIT-margin) [1]	8.4%	5.2%	-
Return on capital employed (ROCE $_{EBIT}$) [2]	6.0%	3.9%	-
Operating profit	71.0	15.7	>100%
Result from discontinued operations, net of income taxes	−4.0	13.9	>−100%
Consolidated net result (attributable to shareholders of the parent company)	47.3	−3.6	>100%

€ million	30. Jun. 18	31. Dec. 17	Change
Total assets	1,513.6	1,541.7	−1.8%
Equity attributable to the shareholders of the parent company	528.0	457.0	15.5%
Net financial debt [3]	211.1	139.0	51.9%
Gearing [4]	0.40	0.30	-
Equity ratio [5]	34.9%	29.6%	-

[1] Ratio of EBIT before non-recurring items to sales revenue
[2] EBIT before non-recurring items for the last twelve months to average capital employed - continuing operations (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)
[3] Financial liabilities (nominal amounts) less liquidity
[4] Net financial debt divided by equity attributable to the shareholders of the parent company
[5] Equity attributable to the shareholders of the parent company divided by total assets

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Interim Group Management Report

(unaudited)

Economic environment

Even though the International Monetary Fund (IMF) kept its forecasts for global growth unchanged for this and next year at its last review in July, the institution did slightly adjust its expectations for some large industrial and emerging economies. On the whole, growth is anticipated to be less regionally harmonized and the risk profile has increased, particularly in the short term.

Growth rates seem to have reached their peak in some large economies. The short term dynamics are increasing in the USA in line with the IMF forecasts in April. However, for the Eurozone, Japan and the United Kingdom, growth forecast were slightly revised downwards.

According to the IMF, global gross domestic product (GDP) will increase by 3.9% in 2018 and 2019, confirming its forecasts of April of this year. At the same time, growth expectations for key industrial and emerging economies were slightly revised downwards. IMF has kept its forecasts for the USA unchanged at 2.9% and 2.7%. For the Eurozone, reduced growth rates of 2.2 (2.4)% and 1.9 (2.0)% are being forecast, for Germany, 2.2 (2.5)% and 2.1 (2.0)%.

As a result, the statements made in our annual report 2017 remain valid.

Key events of the business development

Changes in scope of consolidation

After the acquisition of the former joint venture Benteler-SGL in December 2017, the acquisition of SGL Automotive Carbon Fibers GmbH & Co. KG (SGL ACF) in Wackersdorf (Germany) was concluded in January 2018. SGL Carbon is now the sole owner of the former joint operation, whose legal entity name is SGL Composites GmbH & Co. KG after its entry in the company's register. As reported, in the next step, the US legal entity will be transferred to SGL by the end of 2020 at the latest; in this context, SGL Carbon already exercises full control so that the US company is fully consolidated since the beginning of the year.

The transition to full consolidation required an adjustment to the fair value of the net assets of the previously proportionally consolidated joint operation with the BMW Group. This resulted in a positive non-cash impact of €28.1 million on EBIT after non-recurring items in the first half year 2018. On the other hand, the preliminary purchase price allocation (PPA) results in an increase in depreciation and amortization expense of around €10 million per year until 2021.

In the first half year 2018, the additional depreciation/ amortization resulting from the PPA on identified assets and liabilities of the acquired companies in the US, Austria and Germany amount to minus €3.2 million.

The sale of the 51% shareholding in SGL Kümpers GmbH & Co KG, Rheine (Germany) was completed on January 10, 2018. The related disposal of the assets of SGL Kümpers did not result in any effect on profit or loss in fiscal 2018, as this was already recognized in fiscal year 2017.

New IFRS 15 Accounting regulation

The first-time adoption of IFRS 15 resulted in an increase in sales revenue of €18.3 million and an increase in recurring EBIT of €11.1 million in the first half year 2018, mainly related to the reporting segment GMS. Details of this and the impacts on the opening balance resulting from the transition please refer to the segment reporting and the notes.

Business development

Segment reporting

Reporting segment Composites – Fibers & Materials (CFM)

	1st Half Year		
€ million	2018	2017	Change
Sales revenue	223.7	176.2	27.0%
EBITDA before non-recurring items [1]	33.7	22.9	47.2%
Return on capital employed ($ROCE_{EBIT}$)[2]	5.3%	5.2%	-
EBIT before non-recurring items (recurring EBIT) [1]	17.3	12.4	39.5%
Return on sales (EBIT-margin) [1]	7.7%	7.0%	-
Operating profit (EBIT)	40.6	6.4	>100%

[1] Non-recurring items of €23.3 million and minus €6.0 million in the first half year 2018 and 2017, respectively

[2] EBIT before non-recurring items for the last twelve months to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

Sales revenues in the reporting segment Composites – Fibers & Materials increased in the first half 2018 by 27% (currency adjusted by 30%) to €223.7 million (H1/2017: €176.2 million) primarily due to structural effects resulting from the initial consolidation of the former at-equity accounted joint venture Benteler SGL as well as the complete acquisition of the former partially consolidated joint venture SGL ACF, which more than offset the sale of the former fully consolidated joint venture SGL Kümpers. Operationally, the sales growth was driven mainly by the market segments aerospace, automotive, and industrial applications. Sales in the market segment textile fibers remained on the prior year level, while sales with the wind industry declined substantially due to the sale of our participation in SGL Kümpers, as well as the declining sales of carbon fibers to the wind energy industry.

Following the complete acquisition of Benteler SGL at the end of 2017, Ceramic Brake Discs (Brembo SGL: development and production of carbon ceramic brake discs) remains as the only major At-Equity accounted investment and is allocated to the market segment automotive. Sales of At-Equity accounted investments increased by 18% to €126.6 million (H1/2017: €107.2 million, 100% values for companies) and is not included in our Group sales revenue.

Recurring EBIT in the first half 2018 increased by 40% to €17.3 million compared to the prior year level of €12.4 million. Taking into consideration the sales growth, this development led to an increase in the EBIT margin to 7.7% (H1/2017: 7.0%). The highest earnings growth was recorded in the market segment automotive, particularly due to the full consolidation of SGL Composites (former SGL ACF and Benteler SGL). Earnings in the market segment aerospace was on the level of the prior year. Earnings in the market segment textile fibers was also on the prior year level, while the results in wind energy and industrial applications recorded declines.

After consideration of non-recurring items amounting to €23.3 million, EBIT in the first half 2018 increased to €40.6 million (H1/2017: €6.4 million). These non-recurring items include a positive effect from the full consolidation of the former joint venture with the BMW Group (SGL ACF) resulting from the adjustment to the fair value of the proportionate shareholding as of the date of acquisition of €28.1 million. In contrast, the preliminary purchase price allocation (PPA) increased depreciation by €5.8 million. The release of a provision at SGL Composites (Austria) led to a positive effect of €2.6 million.

On February 12, 2018, we reported on our project relating to advanced fiber placement methods. As part of the material mix of the future, fiber-reinforced plastics are gaining in importance, especially in the automotive and aerospace industries. Continuous further development of fiber processing is crucial and automated, load-path optimized, material efficient laying and cutting of fibers, referred to as fiber placement, presents a particularly advanced method. To incorporate this production method into more high-volume applications across industries for cost-effectiveness and resource efficiency, SGL Carbon and Fraunhofer IGCV have founded a joint Fiber Placement Center headquartered at the SGL Carbon site in Meitingen.

We announced a world innovation on February 23, 2018 - a high-performance and efficient carbon fiber for the aerospace industry. SGL Carbon has developed and started serial production of an innovative carbon fiber, thus expanding its material portfolio. The new fiber is characterized by a high Young's modulus (also known as the elastic modulus), making it ideal for aerospace applications. Pressure vessels, drive shafts, profiles, and sheet molding compounds (SMCs) are other applications, as the fiber meets special mechanical requirements thanks to its high stiffness and strength. The high Young's modulus based on a 50k fiber (50,000 individual filaments) is unique to the market. Previously, only fibers with lower numbers of filaments (e.g. 12k or 24k) achieved these high mechanical properties (4,800 MPa, 280 GPa).

On March 2, 2018, we highlighted our participation at the JEC World in Paris, which is the worldwide largest Composites trade fair. Here we presented a prototype of the "Carbon Carrier," which is ready for large-scale production for new automotive body approach concepts, as well as the above-mentioned "advanced modulus" 50k carbon fiber. The new Fiber Placement Center was officially launched in a celebratory event at the JEC World on March 6, 2018.

In a press release dated March 19, 2018, we reviewed positively our participation and the JEC World. Many discussions with international customers from various industries had taken place. Great interest was generated by the new advanced modulus 50k fiber. Multitudinous people gathered at the presentation of the new Fiber Placement Center. Additionally, SGL Carbon together with other partners received the JEC Innovation Award for the "MAI Sandwich" project. The initiative developed new integrated sandwich structures for aerospace and automotive applications using innovative thermoplastic carbon fiber materials and a highly efficient production process.

We have developed the trunk lid module for the Porsche GT3. This module with highest surface requirements was developed and industrialized at SGL Composites in Austria (former Benteler SGL) together with Porsche. The individual components are produced at the Ort and Ried (both Austria) sites. SGL Carbon is the market leader in the composites areas of “complex geometries” and “highest surface requirements”. Among others, we also serially produce leaf springs for Volvo in the Austrian sites – with an annual volume of 550.000.

Reporting segment Graphite Materials & Systems (GMS)

	1st Half Year		
€ million	2018	2017	Change
Sales revenue	288.0	255.1	12.9%
EBITDA before non-recurring items 1)	51.4	35.1	46.4%
Return on capital employed ($ROCE_{EBIT}$)2)	14.8%	9.6%	-
EBIT before non-recurring items (recurring EBIT) 1)	40.0	23.9	67.4%
Return on sales (EBIT-margin)	13.9%	9.4%	-
Operating profit (EBIT)	40.4	23.9	69.0%

1) Non-recurring items of €0.4 million and €0.0 million in the first half year 2018 and 2017, respectively

2) EBIT before non-recurring items for the last twelve months to average capital employed (total of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity and working capital)

Sales revenues in the reporting segment Graphite Materials & Systems increased significantly by 13% (currency adjusted by 16%) to €288.0 million compared to the prior year period (H1/2017: €255.1 million). The initial adoption of IFRS 15 led to a partially temporary sales increase of approximately €17 million. Adjusted for this and the currency effect, sales in GMS increased by around 10%, reflecting the substantial recovery in the market segment chemicals. Double digit growth rates were also recorded in the market segments LED, semiconductors, and automotive & transport. Sales in the market segment industrial application increased slightly compared to the prior year level. Business development in the market segment battery & other energy benefited from higher demand, which was offset by price and currency effects. We limited our sales into the solar market segment to the prior year level, as we increased our deliveries to customers from the semiconductor and LED segments, who also posted a high demand for isostatic graphite specialties.

Recurring EBIT increased substantially more than proportionately by 67% to €40.0 million (H1/2017: €23.9 million), leading to a significantly increased EBIT margin of 13.9% (H1/2017: 9.4%) and included a partially temporary effect from the initial adoption of IFRS 15 of €10.4 million. Adjusted for this effect, EBIT increased by 24% mainly due to improved results in nearly all market segments. The only market segment that did not increase their earnings contributions compared to the prior year was battery & other energy, which was particularly impacted by the expected unfavorable currency exchange rates especially with regards to the Japanese Yen as well as the higher raw material costs. Based on increasing raw material costs, we have initiated negotiations with our customers and have already partially achieved price increases.

Non-recurring items of €0.4 million (H1/2017: no non-recurring items) were recorded in the reporting segment GMS. Consequently, EBIT after recurring items amounted to €40.4 million (H1/2017: €23.9 million).

On January 17, 2018, we reported a major order from our customer Rheinmetall Automotive – Pierburg. SGL Carbon will supply the centerpiece, rotors and vanes, for generating a vacuum in the EVP 40 brake booster. The annual order volume is in the low double-digit million Euro range. Due to this project and a general increase in demand from the automotive industry for solutions and components based on specialty graphite, SGL Carbon is investing approximately €25 million over four years in expanding its production capacities at the Bonn site, including not only new production systems, but also a new hall. Initial measures have already been implemented, with the expansion set to be complete by 2020.

On February 13, 2018, we informed about an order which we received at the end of last year for a hydrochloric acid (HCl) recovery system from a leading Chinese producer of isocyanate. The system was developed by SGL Carbon for the specific requirements of the customer and will significantly support an economic and environmental friendly production process in the MDI/TDI production (precursors for polyurethane production).

Strong global growth in the semiconductor and LED industry is driving worldwide demand for susceptors and wafer carriers. The expansion of a new, state-of-the-art coating production line already began last year in St. Mary’s, Pennsylvania (USA), which enables the application of SiC in thin layers on graphite-based materials. This expansion is now completed. Due to the further increasing global demand, we have decided on a second expansion stage and announced this in a press release on March 7, 2018. In this context, we will see not only see expansions to the coating technology but also to the capacities in other areas of processing and cleaning technology. In this way, not only the production volume will be increased, but also highest quality standards are ensured. A total of around €25 million will be invested over a period of three years in the expansion of production capacities for silicon carbide (SiC) coating.

On June 11, 2018, we described our activities at the trade fair ACHEMA, the world's leading trade fair for the chemical industry, process technology, and biotechnology in Frankfurt am Main (Germany). As one example for the solution competence of SGL Carbon, we introduced newly developed silicon carbide (SiC) tube sheet for heat exchangers. The patent-pending design uses a SiC intermediate plate in place of solutions based on PFA-lined carbon steel (perfluoroalkoxy) and offers an optimized seal, preventing corrosion or damage to the sheets even after 100 cycles. Together with technology group GEA, SGL Carbon has developed a new steam jet vacuum pump made of DIABON-graphite, which was also shown. Compared with pumps made of porcelain, the main material used to date, the new vacuum pumps feature many advantages, such as energy savings of up to 30 percent, a greater degree of design freedom and faster delivery times.

We also demonstrated carbon 3D printing at the ACHEMA. After the market launch of CARBOPRINT, which stands for printed carbon and graphite components, SGL Carbon has now expanded its 3D printing expertise to silicon carbide under the brand name SICAPRINT. Silicon carbide (SiC) features an extremely high hardness, stiffness and strength, as well as high thermal conductivity. Finished by means of liquid silicon infiltration, the materials can also be used continuously at temperatures far beyond 1,000°C in air.

Subsequent to the balance sheet date, we issued a press release on July 9, 2018, outlining full size bipolar plates (BPP) made of a graphite/fluoropolymer composite material which we developed and successfully tested in-house. The performance of the new large size plates (approx. 1.5m in length) is in line with their smaller size versions showing good electrical conductivity, high chemical resistance, and light weight. The thickness for the large BPP is unchanged at 0.6 mm. These new larger size SIGRACELL BPP enable many different applications in various industries including flow battery, wastewater treatment system manufacturing, and other electrochemistry applications. Furthermore, they give the opportunity to build larger electrochemistry cells and increase product efficiency.

On July 11, 2018, we reported on our significant expansion of capacities for the production on synthetic graphite anode materials for lithium-ion batteries, which is due to be completed until 2019. In addition to upgrading and optimizing the efficiency of existing plants, the company is also investing in a battery application laboratory. In total, a low double-digit million-euro amount will have been invested at the Morganton (USA), Raciborz and Nowy Sacz (both Poland) and Meitingen (Germany) sites.

Reporting segment Corporate

	1st Half Year		
€ million	2018	2017	Change
Sales revenue	17.6	4.0	>100%
EBITDA before non-recurring items [1]	–10.1	–10.9	7.3%
EBIT before non-recurring items (recurring EBIT) [1]	–13.1	–13.8	5.1%
Operating profit/loss (EBIT)	–10.0	–14.6	31.5%

[1] Non-recurring items of €3.1 million and minus €0.8 million in the first half year 2018 and 2017, respectively

Sales revenues in the reporting segment Corporate increased substantially relating mainly to the sale of the former business unit Performance Products (PP), as services provided to PP are recorded as external sales now that PP has been sold.

Recurring EBIT in the reporting segment Corporate improved slightly by 5% to minus €13.1 million compared to the comparable period of the prior year (H1/2017: minus €13.8 million) and includes a positive effect in the amount of €3.9 million from a land sale in Canada, which more than compensated for the implementation costs for the Operations Management System OMS and the termination of cost allocations to the now sold PP. Non-recurring items amounting to €3.1 million were recorded in the reporting segment Corporate in the reporting period (H1/2017: minus €0.8 million).

Following the strategic realignment of SGL Carbon, the organization of the operational production network received increased focus in the last months. SGL Carbon's profitable growth does not only depend on our sales organization and technical service but also on our production facilities. Product quality, capacity utilization, cost and delivery reliability are decisive for the successful development and competitiveness of our company.

Comparable to our Business Process Excellence (BPX) program, the Board of Management together with the heads of the business units have decided to develop and implement the so-called „SGL Operations Management System" (SGL OMS), a uniform and standardized management system for production across the sites and businesses. The goal is to create lean processes, high efficiency, and the best product quality.

By 2020, all sites should be managed by uniform standards and key performance indicators. In doing do, we will also rely on best practice procedures. In addition, many of the methods and tools from SGL Excellence and Six Sigma will be integrated into the OMS.

On February 27, 2018, we reported on our project with Ex-One in the area of 3D printing with carbon components. 3D printing describes the building of individual layers of material into three-dimensional parts based on a digital file, without tooling or machining. SGL Carbon is bringing carbon and graphite components created using 3D binder jet printing technology provided by ExOne to the market under the brand name CARBOPRINT®.

On April 26, 2018, we informed about the extension of our long-standing collaboration for fuel cell components with HYUNDAI MOTOR GROUP. SGL Carbon will deliver gas diffusion layers for the fuel cell car NEXO. Last year, we increased our production capacities at our Meitingen (Germany) site by commissioning another sintering furnace. To continue playing a key role in the research and development of fuel cells, SGL Carbon is also an active development partner in the EU-funded “INSPIRE” project.

We spoke about the strategic realignment and, in this context, introduced a new brand concept at the Annual General Meeting on May 28, 2018. The new brand concept combines the word brand "SGL Carbon" - formerly: "SGL Group - The Carbon Company" - with a newly developed company logo. With this, the company is also visually emphasizing its strategic realignment. The return to "SGL Carbon" as its new company name expresses the company’s core expertise and origin. The brand core "smart solutions" describes the value proposition and the aspiration of the new SGL. The company name together with the new logo bridges the company’s origin and future. The newly developed logo is based on the hexagonal shape of the chemical graphite structure. The division and opening of the hexagon creates a stylized "C", representing the chemical symbol for carbon. The arrow-like element symbolizes the company's focus on the key topics of the future. The new color Petrol combines the aspects of reliability, modernity and sustainability.

On May 30, 2018, we reported on the appointment and the reduction of the supervisory board. The Annual General Meeting of SGL Carbon SE on May 29, 2018, had appointed resp. re-appointed three members of the supervisory board as well as approved the reduction of the supervisory board from 12 to 8 members, which became effective following the entry of the respective article amendment into the company register on June 25, 2018.

Group business development

Condensed Consolidated Income Statement

	1st Half Year		
€ million	2018	2017	Change
Sales revenue	529.3	435.3	21.6%
Cost of sales	–413.0	–345.2	–19.6%
Gross profit	116.3	90.1	29.1%
Selling, administrative and R&D expenses	–91.3	–83.1	–9.9%
Other operating income/expenses	10.6	10.4	1.9%
Result from investments accounted for At-Equity	8.6	5.1	68.6%
Operating profit (EBIT) before non-recurring items (recurring EBIT)	44.2	22.5	96.4%
Non-recurring items	26.8	–6.8	>100%
Operating profit (EBIT)	71.0	15.7	>100%
EBITDA before non-recurring items	75.0	47.1	59.2%

Sales revenue rose significantly by 22% (currency adjusted by 25%) to €529.3 million (H1/2017: €435.3 million). Slightly more than half of the sales growth related to the changes in the scope of consolidation and the initial adoption of IFRS 15. The gross margin improved to 22.0% in the reporting period (H1/2017: 20.7%) due to higher capacity utilization and the resulting increased fixed cost absorption. Accordingly, gross profit rose significantly to €116.3 million in the reporting period from €90.1 million in the prior year period. Selling, administrative, and R&D expenses increased by 10% to €91.3 million (H1/2017: €83.1 million), at a slower rate than sales revenue.

Recurring EBIT doubled to €44.2 million in the reporting period after €22.5 million in the prior year period, due to improved earnings in the business unit GMS (including a partially temporary impact of €10.4 million from the initial adoption of IFRS 15) and an income of €3.9 million from a land sale in the reporting segment Corporate.

Non-recurring items of €26.8 million include an adjustment to the fair value of the net assets of the previously proportionally consolidated joint operation with the BMW Group amounting to €28.1 million at the date of acquisition as well as, with an opposite impact, the additional amortization of identified assets and liabilities resulting from purchase price allocation (PPA). Non-recurring items from the amortization of the PPA of the acquired SGL Composites companies in the US, Austria and Germany amounted to minus €3.2 million in total. In addition, income from restructuring totaling €1.9 million was reported as non-recurring items, comprising income from the sale of non-current assets in Italy and Germany of € 3.3 million and restructuring expenses of €1.4 million, mainly in Portugal. Accordingly, EBIT after non-recurring items amounted to € 71.0 million (H1/2017: €15.7 million).

Net financing result

€ million	1st Half Year 2018	2017	Change
Interest income	0.5	0.2	>100%
Interest expense	−6.9	−15.2	54.6%
Imputed interest convertible bonds (non-cash)	−2.4	−4.0	40.0%
Imputed interest finance lease (non-cash)	−1.2	−0.8	−50.0%
Interest expense on pensions	−2.8	−3.2	12.5%
Interest expense, net	−12.8	−23.0	44.3%
Amortization of refinancing costs (non-cash)	−0.8	−3.8	78.9%
Foreign currency valuation of Group loans (non-cash)	0.0	0.8	−100.0%
Other financial expense	−0.1	−0.2	50.0%
Other financing result	−0.9	−3.2	71.9%
Net financing result	−13.7	−26.2	47.7%

After the repayment of the corporate bond (interest rate of 4.875%) in October 2017 and the convertible bond 2012/2018 (interest rate of 2.75%) in January 2018, interest expense related particularly to the interest on the convertible bond 2015/2020 (interest rate of 3.5%) and the financial debt of SGL Composites due to BMW Group. The non-cash imputed interest on the convertible bond is recognized in order to adjust the coupon on the convertible bond to comparable interest rates at the time of its issuance. In the prior year period, the accelerated amortization of refinancing costs resulted from the estimated early repayment of the corporate bond, which was redeemed ahead of schedule at the end of October 2017, compared to its original maturity in January 2021.

Due to the repayment of the corporate bond and the convertible bond, net financing result was halved from €26.2 million in the prior year period to €13.7 million in the reporting period.

Condensed Consolidated Income Statement (continued)

€ million	1st Half Year 2018	2017	Change
Operating profit (EBIT)	71.0	15.7	>100%
Net financing result	−13.7	−26.2	47.7%
Result from continuing operations before income taxes	57.3	−10.5	>100%
Income tax expense	−5.7	−5.0	−14.0%
Result from continuing operations	51.6	−15.5	>100%
Result from discontinued operations, net of income taxes	−4.0	13.9	>−100%
Net result for the period	47.6	−1.6	>100%
Attributable to:			
Non-controlling interests	0.3	2.0	85.0%
Consolidated net result (attributable to shareholders of the parent company)	47.3	−3.6	>100%
Earnings per share - basic and diluted (in €)	0.39	−0.03	>100%
Earnings per share continuing operations, basic and diluted (in €)	0.42	−0.14	>100%
Earnings per share - discontinued operations, diluted (in €)	−0.03	0.11	>−100%

Result from continuing operations

Due to the developments described above, the result from continuing operations before income taxes improved from minus €10.5 million in the prior year period to €57.3 million in the reporting period. Income tax expense of €5.7 million (prior year period: €5.0 million) was influenced by deferred tax expenses related to temporary differences from IFRS 15 effects as well as the usage of tax loss carryforwards.

Result from discontinued operations after taxes and net result for the period

The result from discontinued operations includes income and expenses incurred by the business unit Performance Products (PP). The sale of the PP activities was closed in 2017. The expense in the reporting period was impacted by additional tax provisions related to the sale of PP.

Consolidated net result of the period amounted to €47.3 million compared to minus €3.6 million in the first half 2017 (after deduction of non-controlling interests of €0.3 million in the reporting period and €2.0 million in the first half 2017).

Balance sheet structure

ASSETS €m	30. Jun. 18	31. Dec. 17	Change
Non-current assets	812.7	641.0	26.8%
Current assets	700.8	882.8	–20.6%
Assets held for sale	0.1	17.9	–99.4%
Total assets	1,513.6	1,541.7	–1.8%
EQUITY AND LIABILITIES €m			
Equity attributable to the shareholders of the parent company	528.0	457.0	15.5%
Non-controlling interests	10.9	11.3	–3.5%
Total equity	538.9	468.3	15.1%
Non-current liabilities	761.9	616.0	23.7%
Current liabilities	212.8	446.1	–52.3%
Liabilities in connection with assets held for sale	0.0	11.3	–100.0%
Total equity and liabilities	1,513.6	1,541.7	–1.8%

Total assets as of June 30, 2018, decreased by €28.1 million or 1.8% to €1,513.6 million compared to December 31, 2017. Non-current assets increased due to the full consolidation of the two SGL Composites companies in Germany and in the US (former SGL ACF) by a total of €188 million. The decrease in current assets is particularly attributable to the decrease in liquidity by €221.3 million, resulting from the repayment of the convertible bond at maturity in January 2018 in the amount of €239.2 million. On the other side, current assets increased by €31.6 million from the adoption of IFRS 15. Receivables from the sale of PP amounting to €62.6 million (including interest) at year-end 2017 were completely paid to SGL Carbon in March 2018.

The increase in non-current liabilities is the result of the assumption of the proportional debt of SGL Composites (USA) amounting to €92 million and of the €51 million purchase price liability due in 2020 for the acquisition of the former BMW joint operation. By contrast, non-current liabilities decreased as a result of an adjustment of the pension discount rates to the expected long-term interest environment in Germany and in the US by 0.1%-points to 1.8% and by 0.5%-points to 4.1%, respectively, resulting in a decrease in pension provisions by €10.8 million. The decrease in current liabilities can be mainly attributed to the repayment of the outstanding amount of the convertible bond 2012/2018 of €239.2 million in January 2018.

Working Capital

€ million	30. Jun. 18	31. Dec. 17	Change
Inventories	293.4	281.4	4.3%
Trade accounts receivable and contract assets [1]	213.3	126.4	68.8%
Trade payables	–96.0	–89.3	–7.5%
Working Capital	410.7	318.5	28.9%

[1] After adjusting trade accounts receivables for IFRS 15 adoption as well as for consolidation effects, total balance amounts to €140.3 million, which corresponds to an operating increase of €13.9 million or 11%

The decrease in inventories and the increase in trade receivables and contract assets compared to December 31, 2017 is mainly impacted by the adoption of IFRS 15 and the consolidation of SGL ACF (For details see the notes to the interim financial statements). Adjusted for the IFRS 15 adoption and for consolidation effects, inventories increased by €22.2 million and trade receivables and contract assets increased by €13.9 million, after consolidation effects of €23.3 million and €5.0 million, respectively. The increased business volume in the reporting segment GMS resulted in a substantial rise in inventories, trade receivables and contract assets. The increase in trade payables had an opposite effect on the working capital in the first half year 2018.

Changes in equity

As of June 30, 2018, equity attributable to the shareholders of the parent company increased to €528.0 million (December 31, 2017: €457.0 million). The increase is mainly attributable to the positive net result of the period amounting to €47.3 million. The adoption of IFRS 15 and IFRS 9 on transition date January 1, 2018 as well as the adjustment of pension interest rates as a result of higher interest environment resulted in an additional increase in shareholders' equity of €13.8 million and €10.8 million, respectively. Foreign currency effects had no material impact on the change in shareholder's equity. Overall, the equity ratio as of June 30, 2018, increased to 34.9% compared to 29.6% as of December 31, 2017.

Net financial debt

€ million	30. Jun. 18	31. Dec. 17	Change
Carrying amount of current and non-current financial liabilities	356.6	503.4	−29.2%
Carrying amount of financial liabilities held for sale	-	2.8	−100.0%
Remaining imputed interest for the convertible bonds	9.6	12.0	−20.0%
Accrued refinancing cost	2.9	3.7	−21.6%
Total financial debt (nominal amount)	369.1	521.9	−29.3%
Time deposits	4.0	-	-
Liquidity - continuing operations	158.0	379.3	−58.3%
Liquidity - discontinued operations	-	3.6	−100.0%
Total liquidity (continuing and discontinued)	158.0	382.9	−58.7%
Net financial debt - continuing and discontinued operations	211.1	139.0	51.9%
thereof: SGL Composites (formerly SGL ACF)			
Non-current financial liabilities	188.9	98.1	92.6%
Cash and cash equivalents	1.4	1.2	16.7%
Net financial debt SGL Composites	187.5	96.9	93.5%
Net financial debt excluding SGL Composites (formerly SGL ACF)	23.6	42.1	−43.9%

The financial debt mainly includes our convertible bond, the financial debt of SGL Composites (formerly SGL ACF) due to BMW, the netted amounts of the remaining imputed interest component as well as the refinancing costs.

As of June 30, 2018, net financial debt increased by €72.1 million to €211.1 million. This development is primarily attributable to the change from proportional consolidation to full consolidation of SGL Composites (USA). As a result, the share of financial liabilities of SGL Composites at SGL Carbon rose to 100%, representing an increase of €92.2 million. Payments received for the sale of PP had an opposite effect and reduced net debt by €62.6 million.

Free Cashflow

	1st Half Year	
€ million	2018	2017
Cash flow from operating activities		
Result from continuing operations before income taxes	57.3	−10.5
Restructuring expenses	−1.9	0.8
Value adjustments due to step acquisitions	−28.1	
Depreciation/amortization expense	36.5	24.6
Changes in working capital	−33.5	−61.2
Miscellaneous items	−38.1	9.5
Cash flow from operating activities - continuing operations	−7.8	−36.8
Cash flow from operating activities - discontinued operations	0.0	17.5
Cash flow from operating activities - continuing and discontinued operations	−7.8	−19.3
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant & equipment	−21.9	−14.7
Proceeds from the sale of intangible assets and property, plant & equipment	4.4	7.0
Payments for the acquisition of subsidiaries, net of cash acquired	−23.1	-
Dividend payments from investments accounted for At-Equity	6.0	6.0
Payments received for divestitures	3.4	14.7
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	0.0	−3.5
Other investing activities	0.0	−2.4
Cash flow from investing activities - continuing operations	−31.2	7.1
Cash flow from investing activities - discontinued operations	62.6	−18.4
Cash flow from investing activities - continuing and discontinued operations	31.4	−11.3
Free cash flow [1] - continuing operations	−39.0	−29.7
Free cash flow [1] - discontinued operations	62.6	−0.9

[1] Defined as cash flow from operating activities minus cash flow from investing activities

Despite the significant increase in working capital, cashflow from operating activities in the first half 2018 improved significantly by €29.0 million to minus €7.8 million, mainly due to the positive development in the second quarter 2018. This reflects the improvement in the operating result. Cash flow from investing activities decreased to minus €31.2 million (H1/2017: €7.1 million) and includes the cash outflows for the acquisition of the SGL Composites company in Wackersdorf (Germany) amounting to €23.1 million, as well as the proceeds from the sale of SGL Kümpers amounting to €3.4 million and from a land sale in Lachute (Canada) in the amount of €3.9 million. Cash flow from investing activities in the prior year period included the cash inflows from the sale of the carbon fiber production site in Evanston as well as the proceeds from a land sale in Banting (Malaysia) of €21.7 million in total. Capital expenditures in intangible assets and property plant and equipment in the reporting period increased by 49% to €21.9 million (H1/2017: €14.7 million).

As a result of the purchase price payment for the acquisition of SGL ACF and the resulting increased cash outflow from investing activities, free cash flow from continuing operations in the reporting period declined to minus €39.0 million compared to the prior year period (H1/2017: minus €29.7 million).

Free cash flow from discontinued operations improved significantly to €62.6 million in the reporting period (H1/2017: minus €0.9 million) and includes the proceeds from the remaining purchase price from the sale of the former business unit PP and in the prior year period the operational cash in- and outflows of the PP business.

Employees

The following tables provide information on the headcount development according to reporting segments and to geographical regions:

Headcount	30. Jun. 18	31. Dec. 17	Change
Composites - Fibers & Materials	1,539	1,404	9.6%
Graphite Materials & Systems	2,654	2,558	3.8%
Corporate	221	231	–4.3%
Total SGL Carbon	4,414	4,193	5.3%

Headcount	30. Jun. 18	31. Dec. 17	Change
Germany	1,871	1,817	3.0%
Europe excluding Germany	1,288	1,243	3.6%
North America	797	704	13.2%
Asia	458	429	6.8%
Total SGL Carbon	4,414	4,193	5.3%

The number of employees at SGL Carbon amounted to 4,414 as of June 30, 2018 (December 31, 2017: 4,193) and mainly increased in the reporting segment CFM. Headcount in CFM increased by 184 employees as a result of the full consolidation of the former BMW joint operation SGL Composites and decreased by 115 employees following the sale of SGL Kümpers. Headcount amounted to 4,874 including temporary employees. In the course of the year, we expect a further selective increase in employees in the business units to execute the growth strategy.

Employees of shared service functions are allocated to the reporting segments based on performance related keys. Headcount of Corporate still includes employees who provide services to the former business unit PP.

Opportunities and Risks

Regarding existing opportunities and risks, we refer to the detailed statements in the annual report for the financial year ended December 31, 2017. Opportunities and risks, which are presented in abbreviated form below, have not materially changed from the statements made in the annual report. The changes in the Group in the first half 2018 only lead to a minor change in the opportunity and risk profile: the acquisition of the remaining 49% of the shares in SGL ACF increase the opportunities and risks relating to automotive projects, while the sale of the shares in SGL Kümpers temporarily reduces the relevance of the wind energy market segment in the reporting segment CFM.

The global economy is currently experiencing a broad-based upturn. However, the Brexit and the existing political and economic conflicts could have significantly negative impacts. The form of the trade relationship between the EU and the United Kingdom after the Brexit remains unclear. A possible "hard" Brexit could have a particularly negative impact on the supply chain in the Composites - Fibers & Materials (CFM) reporting segment, as one of our two carbon fiber production sites is located in the United Kingdom. Furthermore, a further escalation of the trade dispute between the US and China and increasing protectionism could have a negative impact on the business climate as a whole. The same applies to trade relations between the USA and the European Union (EU). A further deterioration of the situation in the Near and Middle East could also have a negative impact on the global economy. Should these conflicts ease or be resolved, however, the global economy could gain even more momentum. An escalation of geopolitical conflicts and increasing governmental intervention could lead to further rising trade barriers and have a negative impact on the prices and availability of raw materials.

Significant growth and earnings opportunities may arise from our activities in very dynamic markets (e. g. electric mobility). However, seizing these opportunities could result in higher investment and working capital needs with resulting short-term negative effects on cash flow. Furthermore, the increasing utilization of our capacities in production entails higher downtime risks. This and delays on the procurement side could lead to supply bottlenecks or quality costs. We try to reduce this risk by investing in new equipment and continuous maintenance. Stricter environmental regulations could also require investments or even lead in the medium term to a situation where we are no longer able to operate production sites in the established ways. Furthermore, a stronger global economy may result in raw material and personnel costs significantly exceeding our expectations and having a negative impact on our business performance. On the other hand, the economic recovery could also lead to a further increase in demand for our products and thus result in price increases. In the medium term, exchange rate fluctuations - especially in the Yen and the USD - can have an impact on our key financial figures. Changes in tax laws or legal provisions in individual countries in which we operate may lead to higher tax expenses and higher tax payments. Legal disputes also entail risks to SGL Carbon’s financial performance.

The reporting segment Composites - Fibers & Materials (CFM) aims to grow in the automotive, aerospace, energy and industrial applications industries. Risks may arise from lower growth as a result of delays in the expected increase in demand and from further capacity expansion by competitors. If customer projects do not materialize as quickly as planned, this will have a negative impact on the earnings situation. Furthermore, in particular the development of volumes and margins in the textile fiber business is to be monitored carefully.

In the reporting segment Graphite Materials & Systems (GMS), we see above average growth potential, especially in the LED and semiconductor industries as well as in the battery market segment with our anode material for lithium-ion batteries. Exchange rates, oil price and sales price developments bear risks with regard to the impact on earnings of individual products, customer industries and regions. In the medium term, our planning faces a risk of stagnating volumes, especially in the chemicals, solar and industrial applications industries. A drop in prices in the LED, battery and solar industries could also have a medium-term impact on SGL Carbon’s sales revenue and earnings potential. In the market segment chemicals, we see intense competition for few major projects.

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. In our opinion, even if the individual risks are viewed on an aggregated basis, they do not threaten the going concern of SGL Carbon.

Outlook

Reporting segment Composites – Fibers & Materials (CFM)

We continue to expect a sales increase of approximately 25% primarily as a result of acquisitions. Adjusted for currency and structural changes, this corresponds to growth in the mid to high single-digit range. The initial adoption of IFRS 15 does not materially impact sales in this segment.

Sales with the automotive industry should more than double, primarily due to the full consolidation of our former joint ventures with Benteler and BMW (SGL ACF) as well as the strong demand development. Sales should slightly[1] increase in the market segment aerospace, while sales in the market segments industrial applications as well as textile fibers are expected on the prior year level. In contrast, sales with the wind industry is adversely impacted not only by the deconsolidation of our former joint venture with Kümpers but also due to the weak customer demand and anticipated to decline by more than 50%.

Higher earnings contribution resulting from the full consolidation of our former joint venture SGL ACF as well as increasing volume demand will be partially offset by negative currency effects, higher development costs and the weaker than initially expected earnings in the market segment wind energy, textile fibers and industrial applications. Consequently, it cannot be ruled out, that the recurring EBIT will only post a slight improvement compared to the prior year. The initial adoption of IFRS 15 has no material impact on EBIT in the segment.

[1] "Slight" indicates a variation of up to 10%;
"significant" indicates a variation of more than 10%

As in the two prior years, the highest quarterly earnings of this fiscal year is likely to have been achieved in the first quarter 2018 due to the high capacity utilization as well as high shipments for particular projects.

As announced in an advance notice on April 24, 2018, the full consolidation of the former joint venture with BMW Group (SGL ACF) required an adjustment to the fair value of the proportionate shareholding as of the date of acquisition. This led to a positive, non-cash earnings contribution of approximately €28 million to the EBIT after non-recurring items already in the first quarter 2018. On the other hand, the preliminary purchase price allocation (PPA) will increase depreciation by approx. €10 million p.a. until 2021, which will be recorded as a non-recurring item.

Reporting segment Graphite Materials & Systems (GMS)

In the reporting segment Graphite Materials & Systems (GMS), we continue to expect a slight increase in sales, which corresponds to mid to high single-digit growth adjusted for currency effects. In addition, we anticipate a low double digit million Euro positive impact on sales in this segment from the initial adoption of IFRS 15.

Significant sales growth is expected for the LED, automotive & transport, and semiconductor market segments, while sales in the market segment industrial applications and chemicals are anticipated to grow slightly. We expect sales with the solar market segment to remain around the prior year level. We also expect renewed strong growth in volume demand for lithium ion batteries.

Following the strong performance in the first half year, we now expect recurring EBIT in the business unit GMS to increase substantially more than proportional to the sales growth. Therefore, it should once again be possible to reach our target Group ROCE (EBIT in relation to capital employed) of at least 9-10%. In addition to this, we anticipate a mid to high single digit million Euro positive impact on EBIT in this segment from the initial adoption of IFRS 15.

Reporting segment Corporate

Our reporting segment Corporate is expected to incur slightly higher expenses than in the previous year due to general cost increases, in particular relating to wage increases. One-off income from a land sale in Canada should be offset by anticipated one-off expenses for strategic projects. In particular, these include the development and introduction of our Operations Management System (OMS) – a company-wide, uniform, standardized, cross-locational and cross-business-unit management system for production. The goal of our new OMS is to streamline processes, increase efficiency, and maximize product quality, thereby maintaining high customer satisfaction.

Group

Based on the good development in the first half year particularly in the business unit GMS, we now expect an increase in Group sales of slightly more than 10%, which, adjusted for structural and currency changes, corresponds to growth in the high single-digit percentage range. In addition, we anticipate a low double digit million Euro positive impact on Group sales from the initial adoption of IFRS 15.

Our expectations for Group recurring EBIT also benefits from the good development in the first half 2018, which should continue to slightly outpace the now higher anticipated sales growth, driven by the positive effects of a noticeable increase in volume demand, the successful implementation of price increase initiatives in the business unit GMS, the additional contribution to earnings resulting from the full consolidation of our former joint venture SGL ACF, and cost savings. In contrast, however, we anticipate higher personnel costs and raw material prices compared to the previous year, as well as less favorable exchange rates. In addition to this, we anticipate a mid to high single digit million Euro positive impact on Group EBIT from the initial adoption of IFRS 15.

As explained in the reporting segment CFM, the preliminary purchase price allocation (PPA) relating to the full consolidation of the former joint venture SGL ACF increases depreciation by approximately €10 million p.a. until 2021. These will be recorded under non-recurring items in the reporting segment CFM.

The earnings impact from the initial adoption of IFRS 15 is slightly higher than we anticipated in the first quarter 2018. This is the main reason that we are again slightly increasing our guidance for net result from continuing operations to a low to mid double digit million Euro amount (previous guidance: low double digit million € amount). The improvement compared to the prior year loss of approximately €16 million results mainly from the lower interest expense as a result of the early repayment of our corporate bond on October 30, 2017, as well as the repayment of our convertible bond, which matured on January 25, 2018 in addition to the higher operating result.

Our net financial debt at the end of 2018 should be considerably higher than it was at the end of 2017, in particular due to the full consolidation of our former joint venture SGL ACF. Nevertheless, we will remain within our target gearing level of about 0.5, and a leverage ratio under 2.5.

Over the medium term, we continue to expect average capital expenditure around the level of depreciation and amortization. It should be borne in mind, however, that the level of depreciation and amortization has increased to about €65 million p.a. (before PPA) as a result of the full consolidation of our former joint ventures with BMW and Benteler. In addition, our capex budget should be higher in the initial years of the medium term than in later years, as we intend to execute certain growth projects in the short term. Despite project timing driven low expenditures in the first half 2018, our capex budget for the full year 2018 could be approximately €20 million above the level of depreciation and amortization. The focus of capital expenditure in our reporting segment CFM continues to be primarily on the automotive market segment, for which we are continuing to strengthen the value chain, particularly for fabrics and components. In our reporting segment GMS, expansion investments are also focusing on the automotive market segment, as well as on our lithium ion battery business and our business with the semiconductor and LED industries.

Wiesbaden, August 7, 2018

SGL Carbon SE
The Board of Management

Condensed Consolidated Interim Financial Statements

(unaudited)

Consolidated Income Statement

	2nd Quarter			1st Half Year		
€ million	2018	2017	Change	2018	2017	Change
Sales revenue	265.9	219.0	21.4%	529.3	435.3	21.6%
Cost of sales	−206.2	−171.6	−20.2%	−416.2	−345.2	−20.6%
Gross profit	59.7	47.4	25.9%	113.1	90.1	25.5%
Selling expenses	−25.1	−22.9	−9.6%	−49.8	−46.2	−7.8%
Research and development costs	−8.7	−7.6	−14.5%	−16.3	−15.0	−8.7%
General and administrative expenses	−12.8	−11.0	−16.4%	−25.2	−21.9	−15.1%
Other operating income	6.2	7.9	−21.5%	41.4	16.7	>100%
Other operating expenses	−1.9	−9.5	80.0%	−2.7	−12.3	78.0%
Result from investments accounted for At-Equity	4.5	2.6	73.1%	8.6	5.1	68.6%
Restructuring expenses	1.9	−0.2	>100%	1.9	−0.8	>100%
Operating profit	23.8	6.7	>100%	71.0	15.7	>100%
Interest income	0.1	0.1	0.0%	0.5	0.2	>100%
Interest expense	−6.2	−11.5	46.1%	−13.3	−23.2	42.7%
Other financing result	−0.6	−0.7	14.3%	−0.9	−3.2	71.9%
Result from continuing operations before income taxes	17.1	−5.4	>100%	57.3	−10.5	>100%
Income tax expense	−1.9	−4.1	53.7%	−5.7	−5.0	−14.0%
Result from continuing operations	15.2	−9.5	>100%	51.6	−15.5	>100%
Result from discontinued operations, net of income taxes	0.2	7.4	−97.3%	−4.0	13.9	>−100%
Net result for the period	15.4	−2.1	>100%	47.6	−1.6	>100%
Thereof attributable to:						
Non-controlling interests	0.3	1.2	75.0%	0.3	2.0	85.0%
Consolidated net result (attributable to shareholders of the parent company)	15.1	−3.3	>100%	47.3	−3.6	>100%
Earnings per share, basic and diluted, (in€)	0.13	−0.03	>100%	0.39	−0.03	>100%
Earnings per share - continuing operations, basic and diluted(in€)	0.12	−0.08	>100%	0.42	−0.14	>100%

Consolidated Statement of Comprehensive Income

€ million	2nd Quarter 2018	2nd Quarter 2017	1st Half Year 2018	1st Half Year 2017
Net result for the period	15.4	−2.1	47.6	−1.6
Items that may be reclassified subsequently to profit or loss				
Changes in the fair value of securities available for sale	-	0.0	-	0.1
Cash flow hedges [1)]	−1.0	−0.3	−1.6	0.6
Currency translation	5.1	−11.5	0.7	−5.7
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains/losses on pensions and similar obligations [2)]	10.7	2.9	10.8	3.5
Other comprehensive income	14.8	−8.9	9.9	−1.5
Comprehensive income	30.2	−11.0	57.5	−3.1
Thereof attributable to:				
Non-controlling interests	0.2	0.9	0.3	1.8
Consolidated net result (attributable to shareholders of the parent company)	30.0	−11.9	57.2	−4.9

[1)] Includes tax effects of €0.5 million and €0.1 million in the first half year of 2018 and 2017, respectively
[2)] Includes tax effects of €0.1 million and €2.4 million in the first half year of 2018 and 2017, respectively

Consolidated Balance Sheet

ASSETS €m	30. Jun. 18	31. Dec. 17	Change
Non-current assets			
Goodwill	41.4	21.1	96.2%
Other intangible assets	60.0	25.4	>100%
Property, plant and equipment	648.7	524.0	23.8%
Investments accounted for At-Equity	48.0	45.1	6.4%
Other non-currents assets	4.7	4.7	0.0%
Deferred tax assets	9.9	20.7	−52.2%
	812.7	641.0	26.8%
Current assets			
Inventories	293.4	281.4	4.3%
Trade receivables and contract assets	213.3	126.4	68.8%
Other financial assets	3.0	62.4	−95.2%
Other receivables and other assets	33.1	33.3	−0.6%
Liquidity	158.0	379.3	−58.3%
Time deposits	4.0	-	-
Cash and cash equivalents	154.0	379.3	−59.4%
	700.8	882.8	−20.6%
Assets held for sale	0.1	17.9	−99.4%
Total assets	1,513.6	1,541.7	−1.8%

EQUITY AND LIABILITIES €m	30. Jun. 18	31. Dec. 17	Change
Equity			
Issued capital	313.2	313.2	0.0%
Capital reserves	1,032.9	1,032.9	0.0%
Accumulated losses	−818.1	−889.1	8.0%
Equity attributable to the shareholders of the parent company	528.0	457.0	15.5%
Non-controlling interests	10.9	11.3	−3.5%
Total equity	538.9	468.3	15.1%
Non-current liabilities			
Provisions for pensions and similar employee benefits	283.0	293.0	−3.4%
Other provisions	38.7	37.6	2.9%
Interest-bearing loans	354.6	262.1	35.3%
Other financial liabilities	72.0	21.2	>100%
Deferred tax liabilities	13.6	2.1	>100%
	761.9	616.0	23.7%
Current liabilities			
Other provisions	81.6	88.8	−8.1%
Current portion of interest-bearing loans	2.0	241.3	−99.2%
Trade payables	96.0	89.3	7.5%
Other liabilities	33.2	26.7	24.3%
	212.8	446.1	−52.3%
Liabilities in connection with assets held for sale	0.0	11.3	−100.0%
Total equity and liabilities	1,513.6	1,541.7	−1.8%

Consolidated Cash Flow Statement

€ million	1st Half Year 2018	1st Half Year 2017
Cash flow from operating activities		
Result from continuing operations before income taxes	57.3	−10.5
Adjustments to reconcile the result from continuing operations to cash flow from operating activities:		
Interest expense (net)	12.8	23.0
Result from the disposal of property, plant and equipment	−4.1	−0.2
Depreciation/amortization expense	36.5	24.6
Value adjustments due to step acquisitions	−28.1	-
Restructuring expenses	−1.9	0.8
Result from investments accounted for At-Equity	−8.6	−5.1
Amortization of refinancing costs	0.8	3.8
Interest received	0.5	0.2
Interest paid	−8.9	−15.0
Income taxes paid	−1.4	−2.0
Changes in provisions, net	−14.0	−4.8
Changes in working capital		
Inventories	−22.2	−10.8
Trade receivables and contract assets	−13.9	−31.6
Trade payables	2.6	−18.8
Changes in other operating assets/liabilities	−15.2	9.6
Cash flow from operating activities - continuing operations	−7.8	−36.8
Cash flow from operating activities - discontinued operations	0.0	17.5
Cash flow from operating activities - continuing and discontinued operations	−7.8	−19.3

€ million	1st Half Year 2018	2017
Cash flow from investing activities		
Payments to purchase intangible assets and property, plant & equipment	–21.9	–14.7
Proceeds from the sale of intangible assets and property, plant & equipment	4.4	7.0
Dividend payments from investments accounted for At-Equity	6.0	6.0
Payments for the acquisition of subsidiaries, net of cash acquired	–23.1	-
Payments received for divestitures	3.4	14.7
Payments for capital contributions concerning investments accounted for At-Equity and investments in other financial assets	0.0	–3.5
Other investing activities	0.0	–2.4
Cash flow from investing activities - continuing operations	–31.2	7.1
Changes in time deposits	–4.0	-
Cash flow from investing and cash management activities - continuing operations	–35.2	7.1
Cash flow from investing activities and cash management activities - discontinued operations	62.6	–18.4
Cash flow from investing activities and cash management activities - continuing and discontinued operations	27.4	–11.3
Cash flow from financing activities		
Proceeds from issuance of financial liabilities	0.3	0.0
Repayment of financial liabilities	–248.3	–4.0
Payments in connection with financing activities	-	–0.4
Other financing activities	–0.7	–0.4
Cash flow from financing activities - continuing operations	–248.7	–4.8
Cash flow from financing activities - continuing and discontinued operations	–248.7	–4.8
Effect of foreign exchange rate changes	0.2	–0.9
Net change in cash and cash equivalents	–228.9	–36.3
Cash and cash equivalents at beginning of period	382.9	324.5
Cash and cash equivalents at end of period	154.0	288.2
Time deposits at end of period	4.0	5.0
Total liquidity	158.0	293.2
Less: Cash and cash equivalents of discontinued operations at end of period	0.0	6.8
Liquidity	158.0	286.4

Condensed Consolidated Statement of Changes in Equity

€ million	1st Half Year 18 Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
Balance at December 31	457.0	11.3	468.3
Cumulative adjustment on initial application of IFRS 15 and IFRS 9 (net of income taxes)	13.8		13.8
Balance at January 1	470.8	11.3	482.1
Dividends	0.0	−0.7	−0.7
Net result for the period	47.3	0.3	47.6
Other comprehensive income	9.9		9.9
Comprehensive income	57.2	0.3	57.5
Balance at June 30	528.0	10.9	538.9

€ million	1st Half Year 17 Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
Balance at January 1	331.8	16.1	347.9
Net result for the period	−3.6	2.0	−1.6
Other comprehensive income	−1.3	−0.2	−1.5
Comprehensive income	−4.9	1.8	−3.1
Other changes in equity [1)]	−0.2	−2.2	−2.4
Balance at June 30	326.7	15.7	342.4

[1)] In particular in connection with the acquisition of the non-controlling interests or the valuation of 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 Carbon) is a global manufacturer of products and solutions based on carbon fibers and specialty graphites.

Basis of preparation

The condensed consolidated interim financial statements of SGL Carbon 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 Carbon Consolidated Financial Statements as of December 31, 2017. The condensed consolidated interim financial statements as of June 30, 2018, apply the same accounting principles and practices as well as the same estimates and assumptions as those used in the 2017 annual financial statements, except for the adoption of the new standards IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments effective as of January 1, 2018.

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 by the Board of Management on August 7, 2018. The condensed consolidated interim financial statements and interim group management report have been neither audited nor subject to an auditor's review.

Changes in scope of consolidation

Acquisitions

The acquisition of SGL Automotive Carbon Fibers GmbH & Co KG, Munich (Germany) was completed on January 11, 2018. This transaction makes SGL the sole owner of the former joint venture with the BMW Group (renamed SGL Composites GmbH & Co. KG). The U.S. company of SGL ACF will, in a next step, be transferred to SGL not later than by the end of 2020 after payment of the purchase price and the redemption of the BMW financing; in this context, SGL Carbon exercises full control over the U.S. company based on the voting majority of 51% already upon the acquisition of the German shares. By acquiring SGL ACF, SGL Carbon is forging ahead with its strategy to consolidate all key activities in the value chain – from carbon fibers and materials to components – within SGL Carbon, giving it overall responsibility. Both companies will be integrated into the business unit CFM. Prior to obtaining control, the companies were consolidated on a proportional basis as joint operations within the meaning of IFRS 11. In a business combination achieved in stages, obtaining a controlling majority is recognized under the assumption of a cash payment (for the new 49% share) and an exchange (of the previously held 51% share at fair value). The difference between the carrying amount and the fair value of the previously held shares led to an increase in other operating income in the income statement in the amount of €28.1 million (net of positive cumulative currency translation differences of €0.5 million). Based on the preliminary purchase price allocation, the breakdown of the fair value of identifiable assets and liabilities in SGL ACF on the date of acquisition on 100% basis is as follows. The corresponding proportional (51%) carrying amounts taken from the Group's financial statements immediately prior to the acquisition are shown for information purposes in column "Carrying amounts according to IFRS 11":

€ million	Fair Values at acquisition date (100%)	Carrying amounts according to IFRS 11 (51%)[1]
Assets		
Other intangible assets	41.7	0.1
Property, plant and equipment	248.0	121.9
Deferred tax assets	0.0	2.5
Inventories	46.3	23.6
Trade receivables and contract assets	12.0	6.3
Other receivables and other assets	2.5	1.3
Cash and cash equivalents	2.4	1.2
Liabilities		
Non-current liabilities		
Provisions for pensions and similar employee benefits	0.1	0.1
Interest-bearing loans	192.4	98.1
Deferred tax liabilities	11.4	0.0
Current liabilities		
Other provisions	4.7	2.4
Trade payables	7.4	4.0
Other liabilities	8.0	4.0
Net assets	128.9	48.3
Goodwill from business combination	20.0	
Purchase price	148.9	

[1] Values immediately prior to the acquisition date

The other intangible assets are comprised of customer relationships with an estimated useful life of 51 months. Of the total consideration given for the acquisition, an amount of USD 62.2 million is due at the end of 2020 and €24.3 million (less acquired cash of €1.2 million) were paid at closing on January 11, 2018. As of the acquisition date January 11, 2018 until June 30, 2018 and with the transition from the proportional consolidation to full consolidation, the newly acquired companies contributed €60.5 million to the Group sales revenue and €7.7 million to Group operating profit (incl. additional depreciation and amortization expense on assets identified as part of the purchase price allocation).

Disposals

The sale of the 51% shareholding in SGL Kümpers GmbH & Co KG, Rheine (Germany) was completed on January 10, 2018. The related disposal of the assets of Kümpers did not result in any effect on profit or loss in fiscal 2018.

New accounting pronouncements with mandatory adoption as of January 1, 2018

IFRS 15 Revenue from Contracts with Customers

This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular IAS 18 and IAS 11 “Construction Contracts” and has a material effect on the presentation of SGL Carbon’s results of operations and financial position. SGL Carbon utilized the option for simplified initial application, i.e., contracts that are not completed by January 1, 2018 are accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning.

IFRS 9 Financial instrument

The standard changes the accounting requirements for classifying and measuring financial assets, for impairment of financial assets and for hedge accounting. Financial assets are classified and measured on the basis of the entity’s business model and the character of the financial asset’s cash flow. A financial asset is initially measured either “at amortized cost”, “at fair value through other comprehensive income”, or “at fair value through profit or loss”. The classification and measurement of financial liabilities under IFRS 9 are unchanged compared with the current accounting requirements of IAS 39. IFRS 9 replaces the existing incurred loss model for financial assets with an expected credit loss model. IFRS 9 did not lead to any changes in regards to hedge accounting compared to IAS 39.

The cumulative effect arising from the transition of IFRS 15 and IFRS 9 was recognized as an adjustment to the opening balance of equity as of January 1, 2018. Prior-year comparatives are not adjusted; instead, they are presented based on the previous rules. The tables below show the effects of the new accounting rules.

Adjustments to balance sheet amounts as of January 1, 2018:

€ million	31. Dec. 17	IFRS 15 adjustments	IFRS 9 adjustments	Netting	1. Jan. 18
Assets					
Inventories	281.4	–29.3			252.1
Trade receivables and contract assets	126.4	49.8	–1.6		174.6
thereof: trade receivables	126.4	0.0	–1.3		125.1
thereof: contract assets	0.0	49.8	–0.3		49.5
Other financial assets	62.4		–0.2		62.2
Deferred tax assets	20.7		0.5	–4.6	16.6
Liabilities					
Deferred tax liabilities	2.1	5.4		–4.6	2.9
Equity					
Accumulated losses	–889.1	15.1	–1.3		–875.3

In accordance with the previous revenue recognition rules under IAS 18, sales revenues were recorded only upon the delivery of the goods to the customers’ site, i.e. at the date on which the customer accepts the goods and the related risks and rewards incidental to the transfer of title. The transition effects are attributable to the first-time recognition of contract assets that, under IFRS 15, lead to an earlier recognition of revenue from the sale of goods.

Pursuant to IFRS 15, revenue shall be recognized if the company’s performance does create a customized asset with no alternative use to the company and the company has an enforceable right for payment for performance completed to date. Assessing whether an asset created by the company’s performance is highly customized for a particular customer so that it has no alternative use to the company requires accounting estimates that involve subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

The effects of the adoption of IFRS 9 result from the implementation of simplified impairment model based on expected credit losses particularly related to trade receivables as well as to contract assets recorded upon adoption of IFRS 15.

The following tables summarize the impacts of adopting IFRS 15 and IFRS 9 on the Group’s interim balance sheet and its interim income statement and OCI as of June 30, 2018. There was no impact on the Group’s interim statement of cash flows.

Impact on the interim consolidated income statement and OCI

	First half year 2018			
€ million	Amounts without adoption of IFRS 15 and IFRS 9	IFRS 15 adjustments	IFRS 9 adjustments	As reported
Sales revenue	511.0	18.3		529.3
Cost of sales	−409.0	−7.2		−416.2
Gross profit	102.0	11.1		113.1
Impairment loss on trade receivables, other financial assets and contract assets	0.0		−0.2	−0.2
Operating profit	60.1	11.1	−0.2	71.0
Result before income taxes	46.4	11.1	−0.2	57.3
Income tax expense	−2.7	−3.1	0.1	−5.7
Net result for the period	39.7	8.0	−0.1	47.6
Other comprehensive income	2.0	8.0	−0.1	9.9

Impact on the interim consolidated balance sheet:

	30. Jun. 18				
€ million	Amounts without adoption of IFRS 15 and IFRS 9	IFRS 15 adjustments	IFRS 9 adjustments	Netting	As reported
Assets					
Inventories	331.0	−37.6			293.4
Trade receivables and contract assets	146.1	69.2	−2.0		213.3
thereof: trade receivables	146.1	0.0	−1.6		144.5
thereof: contract assets		69.2	−0.4		68.8
Deferred tax assets	17.1		0.6	−7.8	9.9
Liabilities					
Deferred tax liabilities	12.9	8.5		−7.8	13.6
Equity					
Accumulated losses	−839.8	23.1	−1.4		−818.1

Discontinued operations pursuant to IFRS 5

Result from discontinued operations

Income and expenses incurred by the business unit PP (former business activities GE and CFL/CE) are reported separately under discontinued operations in the prior period income statement. The disposal of PP was completed at the end of 2017. Discontinued operations of the current period include tax risks related to the former business unit PP.

€ million	1st Half Year 2018	2017
Sales revenue from discontinued operations		217.4
Total expenses from discontinued operations	–4.0	–204.1
Result from operating activities of discontinued operations before income taxes	–4.0	13.3
Attributable tax expense		–3.4
Reversal of impairment losses arising on the measurement of assets included in disposal groups at fair value less costs to sell		4.0
Result from discontinued operations [1]	–4.0	13.9
Earnings per share - discontinued operations, basic and diluted (in €)	–0.03	0.11

[1] Attributable to the shareholders of the parent company

Other disclosures

Investments accounted for At-Equity
The main joint venture accounted for At-Equity is Brembo SGL Carbon Ceramic Brakes S.p.A (Ceramic Brake Discs), Stezzano, Italy, which is operated together with Brembo and produces and further develops carbon ceramic brake discs. The table below provides the financial position of Brembo SGL, as reported in its financial statements. The summarized result of operations of the prior period also includes the amounts of the former joint venture Benteler GmbH & Co KG, Paderborn, Germany. The remaining 50% shares in Benteler SGL were acquired by SGL Carbon at the end of 2017.

€ million	1st Half Year 2018	2017
Ownership interest	50%	50%
Income statement		
Sales revenue (100%)	94.2	98.9
Operating profit	23.6	14.3
Net financing result	0.0	–0.6
Net result for the period (100%)	16.8	8.6
Share of SGL Carbon in the net result for the period (50%)	8.4	4.3
Balance Sheet	30. Jun. 18	31. Dec. 17
Non-current assets	42.9	41.2
Current assets	69.9	64.9
Thereof cash and cash equivalents	19.5	31.2
Non-current liabilities	7.9	6.5
Thereof financial liabilities	0.0	0.0
Current liabilities	33.6	33.2
Thereof financial liabilities	0.0	0.0
Net assets (100%)	71.3	66.4
Share of SGL Carbon in the net assets (50%)	35.7	33.2
Goodwill/customer base	3.7	3.8
Carrying amount of material joint ventures	39.4	37.0

The carrying amount of remaining investments accounted for At-Equity was €8.6 million (Dec. 31, 2017: €8.1 million) and their contribution to the result from investments accounted for At-Equity during the first half year 2018 was €0.2 million (H1/2017: €0.8 million).

Additional disclosures on financial instruments

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

€ million	Measurement category under IFRS 9	Carrying amount at Jun. 30, 18	Carrying amount at Dec. 31, 17
Financial assets			
Cash and cash equivalents	1)	154.0	379.3
Time deposits	1)	4.0	0.0
Trade receivables and contract assets	1)	213.3	126.4
Marketable securities and similar investments (31.12.: Available-for-sale financial assets)	2)	4.5	4.4
Other financial assets	1)	3.0	62.4
Derivative financial assets: Derivatives without a hedging relationship	3)	-	0.8
Derivative financial assets: Derivatives with a hedging relationship	n.a.	0.2	2.0
Financial liabilities			0.0
Convertible bonds	4)	157.4	394.2
Bank loans, overdrafts and other financial liabilities	4)	202.1	112.9
Refinancing costs	4)	−2.9	−3.7
Finance lease liabilities	n.a.	22.4	22.4
Trade payables	4)	96.0	89.3
Miscellaneous other financial liabilities	4)	57.9	4.4
Derivative financial liabilities: Derivatives without a hedging relationship	5)	-	0.0
Derivative financial liabilities: Derivatives with hedging relationship	n.a.	0.3	0.0
Thereof aggregated by measurement category in accordance with IFRS 9 (31. Dec. 2017: measurement category in accordance with IAS 39)			
1) Financial assets measured at amortized costs (31. Dec. 2017: IAS 39 measurement category: Loans and receivables)		374.3	568.1
2) Financial assets measured at fair value through profit and loss (31. Dec. 2017: IAS 39 measurement category: Available-for-sale financial assets)		4.5	4.4
3) Financial assets measured at fair value through profit and loss (31. Dec. 2017: IAS 39 measurement category: Financial assets held for trading)		-	0.8
4) Financial liabilities measured at amortized costs (31. Dec. 17: IAS 39 measurement category: Financial liabilities measured at amortized cost)		510.5	597.1
5) Financial liabilities measured at fair value through profit and loss (31. Dec. 2017: IAS 39 measurement category: Financial liabilities held for trading)		-	0.0

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:

	30. Jun. 18			
€ million	Level1	Level2	Level3	Total
Marketable securities and similar investments	4.5			4.5
Derivative financial assets		0.2		0.2
Derivative financial liabilities		0.3		0.3

	31. Dec. 17			
€ million	Level1	Level2	Level3	Total
Available for sale financial assets	4.4	-	-	4.4
Derivative financial assets	-	2.8	-	2.8
Derivative financial liabilities	-	0.0	-	0.0

The fair market value of the convertible bond 2015/2020 as of June 30, 2018, was €171.6 million (December 31, 2017: €176.3 million). As the fair value is derived from quoted prices in active markets, these financial instruments are allocated to Level 1. On January 25, 2018, the outstanding amount of the convertible bond 2012/2018 with a nominal value of €240.0 million was repaid on time in the amount of €239.2 million.

Seasonality of operations

Customer order patterns within the segments CFM and GMS 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. In addition, individual large projects can significantly impact the business development and overlap regular seasonality.

Other additional information

Issued capital remained unchanged to December 31, 2017 at €313.2 million as of June 30, 2018, and is divided into 122,341,478 no-par value ordinary bearer shares at €2.56 per share. During the first half 2018, no new shares were issued from the authorized capital. As of June 30, 2018, there were 2,020,470 SARs outstanding. SGL Carbon SE held a total of 70,501 of its own shares (treasury shares) as of June 30, 2018. Based on an average number of 122.3 million shares, basic earnings per share amounted to €0.39 (H1/2017: minus €0.03).

The calculation of diluted earnings per share assumes the conversion of outstanding debt securities (convertible bonds) to shares or exercise of other contracts for the issue of common shares such as stock appreciation rights. The above-mentioned financial instruments are included in the calculation of diluted earnings per share only if there is a mathematical dilutive effect during the reporting period concerned. Accordingly, EPS diluted amounts to €0.39 (H1/2017: minus €0.03). EPS diluted (continuing operations) amounts to €0.42 (H1/2017: minus €0.14).

Segment information

€ million	CFM	GMS	Corpo-rate	Consolidation adjustments	SGL Carbon
1st Half Year 2018 - continuing operations					
External sales revenue	223.7	288.0	17.6	0.0	529.3
Intersegment sales revenue	2.5	0.0	13.7	–16.2	0.0
Total sales revenue	226.2	288	31.3	–16.2	529.3
Timing of revenue recognition					
Products transferred at point in time	222.0	271.4	17.6	0.0	511.0
Products and services transferred over time	1.7	16.6			18.3
Total sales revenue	223.7	288.0	17.6	0.0	529.3
Operating profit (EBIT) before non-recurring items (recurring EBIT)	17.3	40.0	–13.1	0.0	44.2
Non-recurring items [1]	23.3	0.4	3.1	0.0	26.8
Operating profit/loss (EBIT)	40.6	40.4	–10.0	0.0	71.0
Capital expenditures [2]	4.8	15.5	1.6	0.0	21.9
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items	33.7	51.4	–10.1	0.0	75.0
Amortization/depreciation on intangible assets and property, plant and equipment before non-recurring items	16.4	11.4	3,0	0.0	30.8
Working Capital [3]	150.4	257.8	2.5	0.0	410.7
Capital employed [4]	640.1	466.5	102.1	0.0	1,208.7

€ million	CFM	GMS	Corpo-rate	Consolidation adjustments	SGL Carbon
1st Half Year 2017 - continuing operations					
External sales revenue	176.2	255.1	4.0	0.0	435.3
Intersegment sales revenue	2.5	0.0	13.7	–16.2	0.0
Total sales revenue	178.7	255.1	17.7	–16.2	435.3
Operating profit (EBIT) before non-recurring items (recurring EBIT)	12.4	23.9	–13.8	0.0	22.5
Non-recurring items [1]	–6.0	0.0	–0.8	0.0	–6.8
Operating profit/loss (EBIT) after non-recurring items	6.4	23.9	–14.6	0.0	15.7
Capital expenditures [2]	3.6	10.0	1.1	0.0	14.7
Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items	22.9	35.1	–10.9	0.0	47.1
Amortization/depreciation on intangible assets and property, plant and equipment	10.5	11.2	2.9	0.0	24.6
Working Capital (31.12.) [3]	123.7	199.1	–4.3	0.0	318.5
Capital employed (31.12.) [4]	435.3	401.9	96.9	0.0	934.1

[1] Non-recurring items comprise the full-consolidation effect of the former joint venture with the BMW Group (SGL ACF), the carryforward of hidden reserves realized as part of the purchase price allocation of the SGL Composite companies as well as restructuring expenses and, in 2017, restructuring expenses

[2] Defined as total of capital expenditure in other intangible assets and property, plant and equipment

[3] Defined as sum of inventories and trade receivables and contract assets less trade payables

[4] Defined as the sum of goodwill, other intangible assets, property, plant and equipment, investments accounted for At-Equity, and working capital

Subsequent Events

None.

Wiesbaden, August 7, 2018

SGL Carbon SE
The Board of Management

Dr. Jürgen Köhler Dr. Michael Majerus

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 7, 2018

SGL Carbon SE

The Board of Management

Other Information

Sales Revenue and Operating Profit/Loss by Reporting Segment

€ million	1st Half Year 2018	2017	Change
Sales revenue			
Composites - Fibers & Materials	223.7	176.2	27.0%
Graphite Materials & Systems	288.0	255.1	12.9%
Corporate	17.6	4.0	>100%
SGL Carbon - continuing operations	529.3	435.3	21.6%
SGL Carbon - discontinued operations (PP)	-	217.4	-

€ million	1st Half Year 2018	2017	Change
EBIT before non-recurring items (recurring EBIT) [1]			
Composites - Fibers & Materials	17.3	12.4	39.5%
Graphite Materials & Systems	40.0	23.9	67.4%
Corporate	−13.1	−13.8	5.1%
SGL Carbon - continuing operations	44.2	22.5	96.4%
SGL Carbon - discontinued operations (PP)	-	6.9	-

Quarterly Sales Revenue, Operating Profit/Loss (EBIT) and Return on Sales (based on EBIT before non-recurring items) by Reporting Segment

	2017					2018		
€ million	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	1st Half
Sales revenue								
Composites - Fibers & Materials	93.6	82.6	77.7	78.0	331.9	115.0	108.7	223.7
Graphite Materials & Systems	121.4	133.7	126.4	128.7	510.2	140.1	147.9	288.0
Corporate	1.3	2.7	2.7	11.3	18.0	8.3	9.3	17.6
SGL Carbon - continuing operations	216.3	219.0	206.8	218.0	860.1	263.4	265.9	529.3
SGL Carbon - discontinued operations (PP)	103.4	114.0	131.4	16.8	365.6	-	-	-

	2017					2018		
€ million	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	1st Half
EBIT before non-recurring items (recurring EBIT) [1]								
Composites - Fibers & Materials	7.9	4.5	4.8	5.5	22.7	9.3	8.0	17.3
Graphite Materials & Systems	8.5	15.4	13.6	10.3	47.8	16.8	23.2	40.0
Corporate	−6.8	−7.0	−7.9	−8.7	−30.4	−5.6	−7.5	−13.1
SGL Carbon - continuing operations	9.6	12.9	10.5	7.1	40.1	20.5	23.7	44.2
SGL Carbon - discontinued operations (PP)	3.9	3.0	14.5	3.0	24.4	-	-	-

	2017					2018		
in %	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	1st Half
Return on sales (EBIT-margin) before non-recurring items [1]								
Composites - Fibers & Materials	8.4	5.4	6.2	7.1	6.8	8.1	7.4	7.7
Graphite Materials & Systems	7.0	11.5	10.8	8.0	9.4	12.0	15.7	13.9
SGL Carbon - continuing operations	4.4	5.9	5.1	3.3	4.7	7.8	8.9	8.4
SGL Carbon - discontinued operations (PP)	3.8	2.6	11.0	-	6.7	-	-	-

[1] Non-recurring charges of €26.8 million and minus €6.8 million in the first half year 2018 and 2017, respectively

Quarterly Consolidated Income Statement

€ million	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 Full Year	2018 Q1	2018 Q2	2018 1st Half
Sales revenue	216.3	219.0	206.8	218.0	860.1	263.4	265.9	529.3
Cost of sales	−173.6	−171.6	−165.1	−173.7	−684.0	−210.0	−203.0	−413.0
Gross profit	42.7	47.4	41.7	44.3	176.1	53.4	62.9	116.3
Selling, administrative, R&D and other operating income/expense	−35.6	−37.1	−34.3	−41.8	−148.8	−37.0	−43.7	−80.7
Result from investments accounted for At-Equity	2.5	2.6	3.1	4.6	12.8	4.1	4.5	8.6
Operating profit (EBIT) before non-recurring items (recurring EBIT)	9.6	12.9	10.5	7.1	40.1	20.5	23.7	44.2
Restructuring expenses/Others	−0.6	−6.2	1.8	10.3	5.3	26.7	0.1	26.8
Reversal of impairment losses				3.6	3.6			0.0
Operating profit/loss (EBIT)	9.0	6.7	12.3	21.0	49.0	47.2	23.8	71.0
Net financing result	−14.1	−12.1	−12.4	−18.2	−56.8	−7.0	−6.7	−13.7
Result from continuing operations before income taxes	−5.1	−5.4	−0.1	2.8	−7.8	40.2	17.1	57.3
Income tax expense	−0.9	−4.1	−1.8	1.0	−5.8	−3.8	−1.9	−5.7
Result from continuing operations	−6.0	−9.5	−1.9	3.8	−13.6	36.4	15.2	51.6
Result from discontinued operations, net of income taxes	6.5	7.4	11.6	129.6	155.1	−4.2	0.2	−4.0
Net result for the period	0.5	−2.1	9.7	133.4	141.5	32.2	15.4	47.6
Thereof attributable to:								
Non-controlling interests	0.8	1.2	0.8	−0.2	2.6	0.0	0.3	0.3
Consolidated net result (attributable to shareholders of the parent company)	−0.3	−3.3	8.9	133.6	138.9	32.2	15.1	47.3

Financial Calender 2018

October 11, 2018

Capital Markets Day for investors and analysts in Meitingen (Germany)

November 6, 2018

- Report on the First Nine Months 2018
- Conference call for investors and analysts

Investor Relations Contact

SGL CARBON SE
Head Office | Investor Relations
Söhnleinstraße 8
65201 Wiesbaden
Telephone: +49 611 6029-103
Telefax: +49 611 6029-101
E-Mail: Investor-Relations@sglcarbon.com
www.sglcarbon.com
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Important Note

This interim report contains statements relating to certain projections and business trends that are forward-looking, including statements with respect to SGL Carbon's outlook and business development, including developments in SGL Carbon's Composites - Fibers & Materials and Graphite Materials & Systems businesses, expected customer demand, expected industry trends and expected trends in the business environment, statements related to SGL Carbon's cost savings programs. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. These statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about SGL Carbon's businesses and future financial results, and readers should not place undue reliance on them. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. These risks and uncertainties include, without limitation, changes in political, economic, legal and business conditions, particularly relating to SGL Carbon's main customer industries, competitive products and pricing, the ability to achieve sustained growth and profitability in SGL Carbon's Composites - Fibers & Materials and Graphite Materials & Systems businesses, the impact of any manufacturing efficiencies and capacity constraints, widespread adoption of carbon fiber products and components in key end-markets of the SGL Carbon, including the automotive and aviation industries, the inability to execute additional cost savings or restructuring measures, availability of raw materials and critical manufacturing equipment, trade environment, changes in interest rates, exchange rates, tax rates, and regulation, available cash and liquidity, SGL Carbon's ability to refinance its indebtedness, development of the SGL Carbon's pension obligations, share price fluctuation may have on SGL Carbon's financial condition and results of operations and other risks identified in SGL Carbon's financial reports. These forward-looking statements are made only as of the date of this document. SGL Carbon does not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

SGL Carbon SE
Head Office | Investor Relations
Söhnleinstrasse 8
65201 Wiesbaden/Germany
Phone +49 611 6029-103
Fax +49 611 6029-101
investor-relations@sglcarbon.com
www.sglcarbon.com